



Water and Wastewater Lines of Service Financial Plan 2019-2022

Presentation to Standing Policy Committee on Utilities and Corporate Services
March 14, 2018

CITY OF CALGARY
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IN COUNCIL CHAMBER

MAR 14 2018

UCS2018-0223
The City of Calgary
Water Resources

ISC: Unrestricted

UCS2018-0223

ITEM: 7.1 UCS2018
Distribution - Administration
CITY CLERK'S DEPARTMENT

Calgary

Context



UCS2018-0223

Water and Wastewater Lines of Service Financial Plan 2019-2022

2

Previous Council Direction

2016 September 19, C2016-0688

Council directed Administration to report back in 2017 Q1 with revision to the Utilities Financial Plan that integrates industry best practice and the change to the timeframe in building the sustainment reserve balance.

2017 February 22, UCS2017-0175

Council further directed Administration to report back with revisions to the Utilities Financial Plan no later than 2018 June.

Revenue

Rate Revenue

- Utility rate approved by council
- Utility rates by customer class

Off-Site Levy Revenue

- Greenfield and redevelopment
- Recover debt servicing for growth related investment

Cost of Service basis

— Guiding Principles

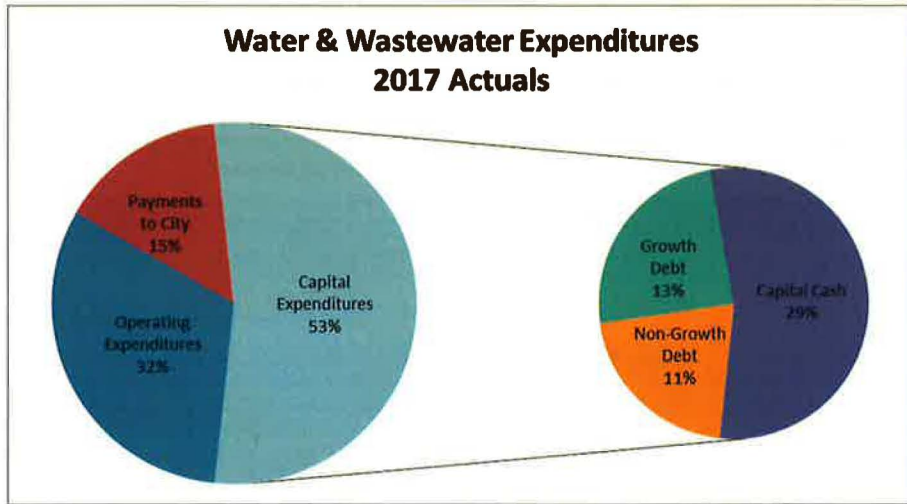
Financial Sustainability

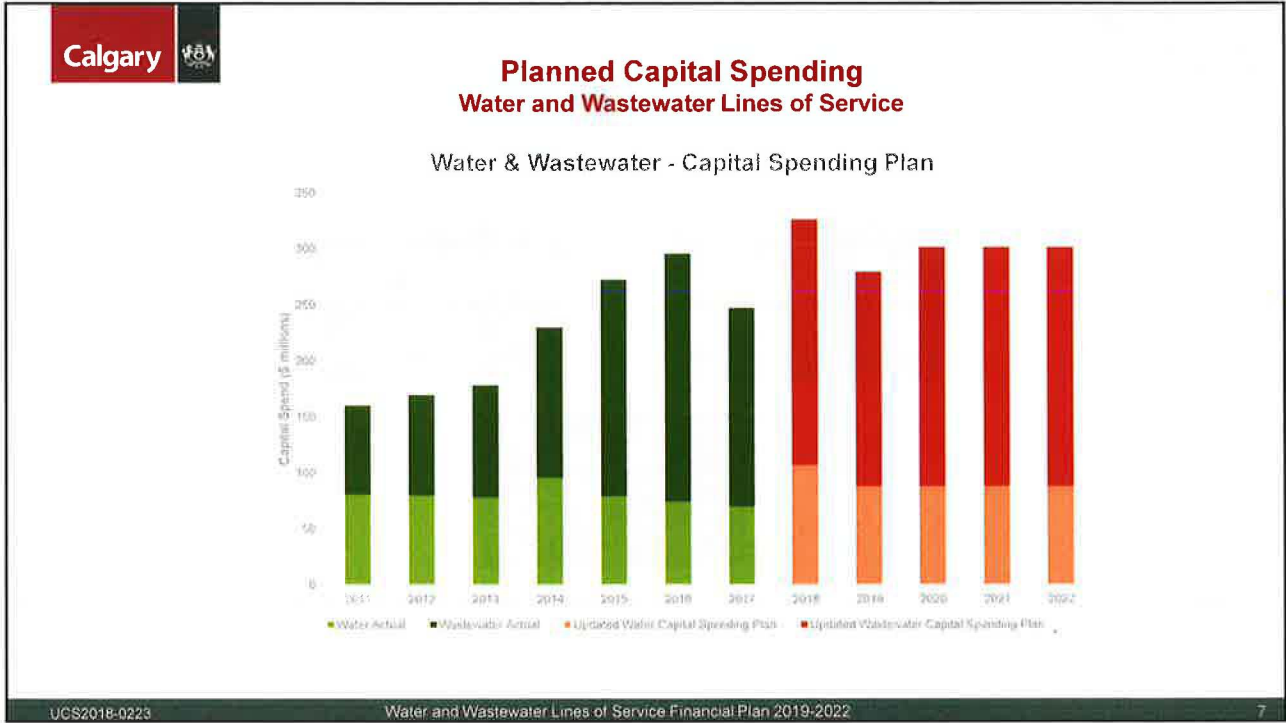
Fairness and Equity to Customers

Water Resource Management

Expenditures

Water & Wastewater Expenditures
2017 Actuals





Revisions of Financial Plan

Policy Area	Measure	Revision
Debt and Cash Financing	Debt limit	Remove Maximum \$2.0 billion Debt limit
Debt and Cash Financing	Debt Service to Revenue Ratio	Remove Maximum debt servicing 40 per cent of revenues
Debt and Cash Financing	Debt Service Coverage Ratio	Minimum 1.75 times in Debt Service Coverage Ratio in each line of service in Water and Wastewater for 2019-2022
Debt to Equity	Debt to equity ratio	Debt to equity ratio will be monitored annually and reported on periodically
Debt term	Length of debt term	The Water and Wastewater lines of service will employ up to a 25 year debt term on major projects.
Sustainment reserve	Sustainment reserve balance	120 days of annual operating expenditures

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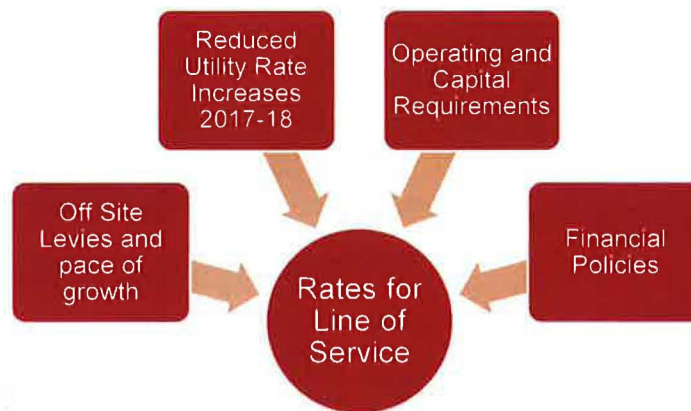
Debt Service Coverage Ratio

- A measure of the operations' ability to pay debt service obligations.
- A measure of how many time the principal and interest payments can be made, once operating expenses and payments to The City have been made.
- Formula:

$$\text{Debt Service Coverage Ratio} = \frac{\text{Total Revenues} - (\text{Operating Expenses} + \text{Payments to The City})}{\text{Total Debt Service}}$$



Factors influencing rates for Water and Wastewater services





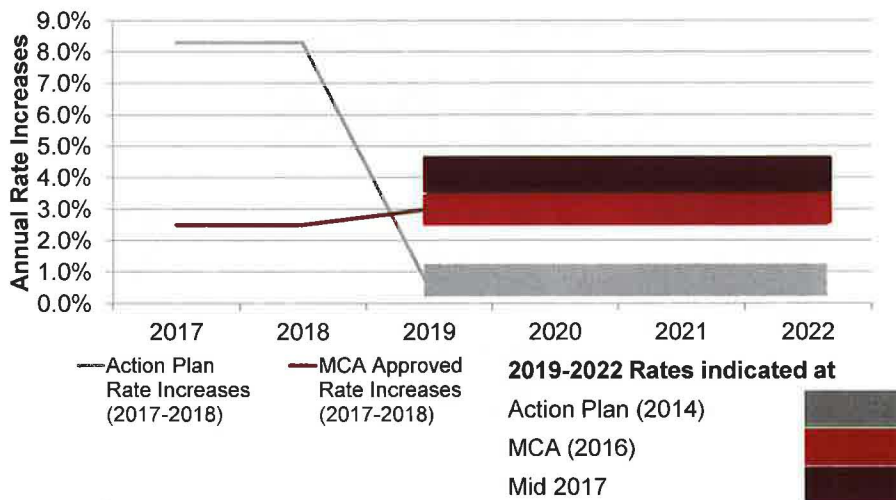
What does the blended rate increase mean?



Using the 2.5 per cent blended rate increase approved for 2017 and 2018 as an example

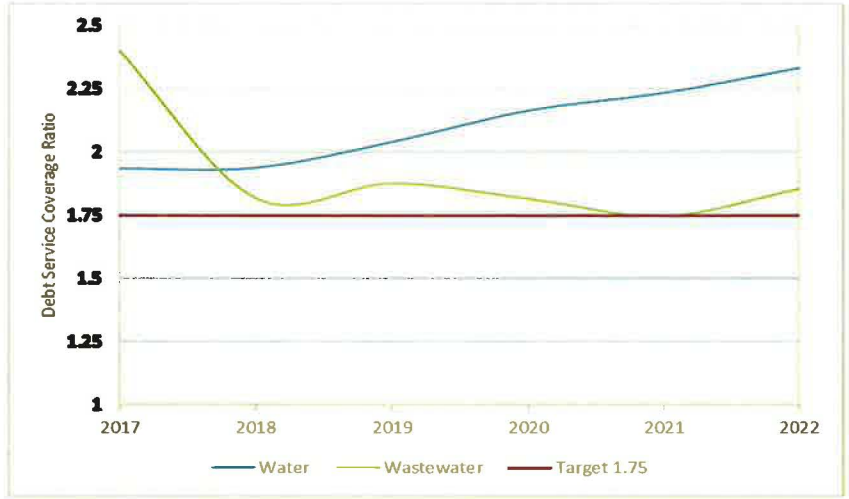


Projected utility rate increases

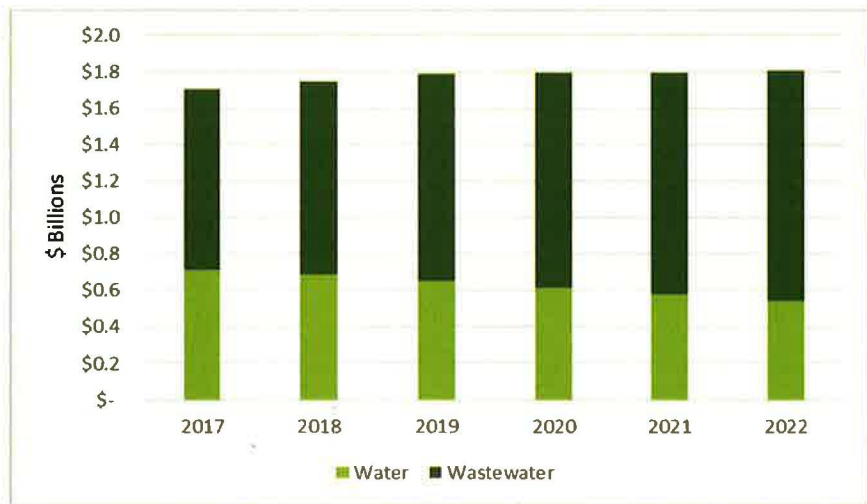


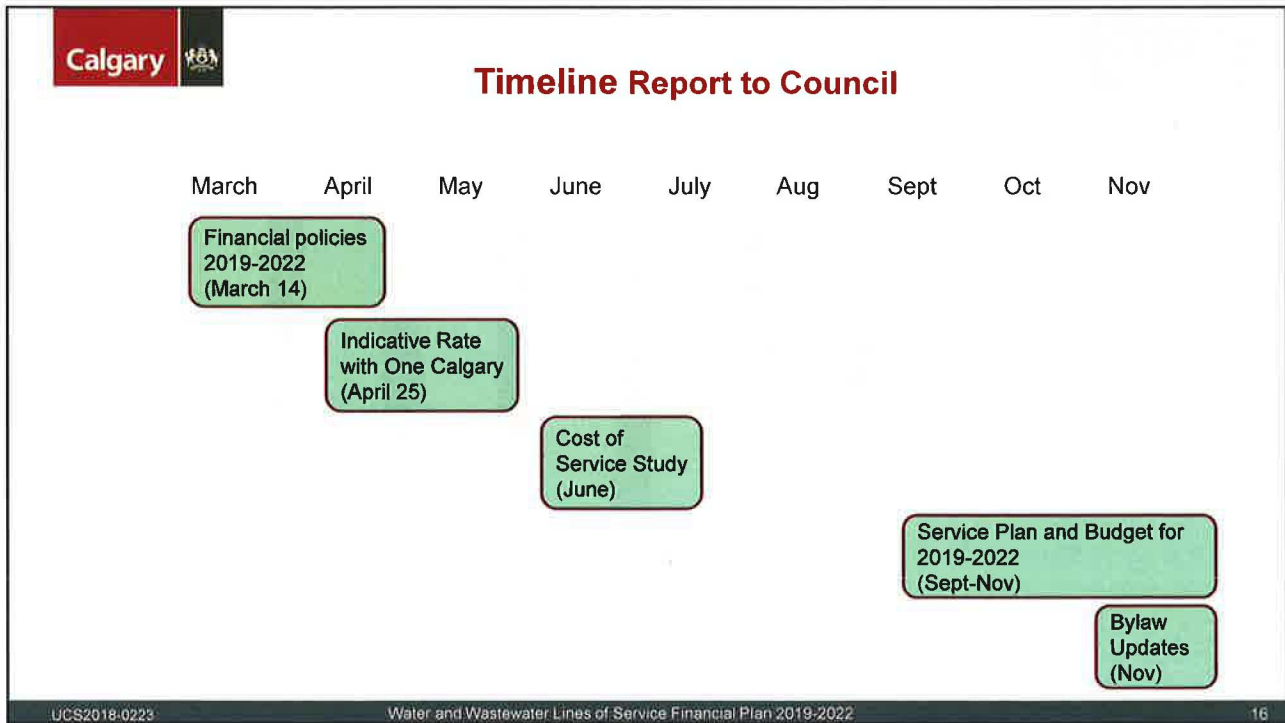
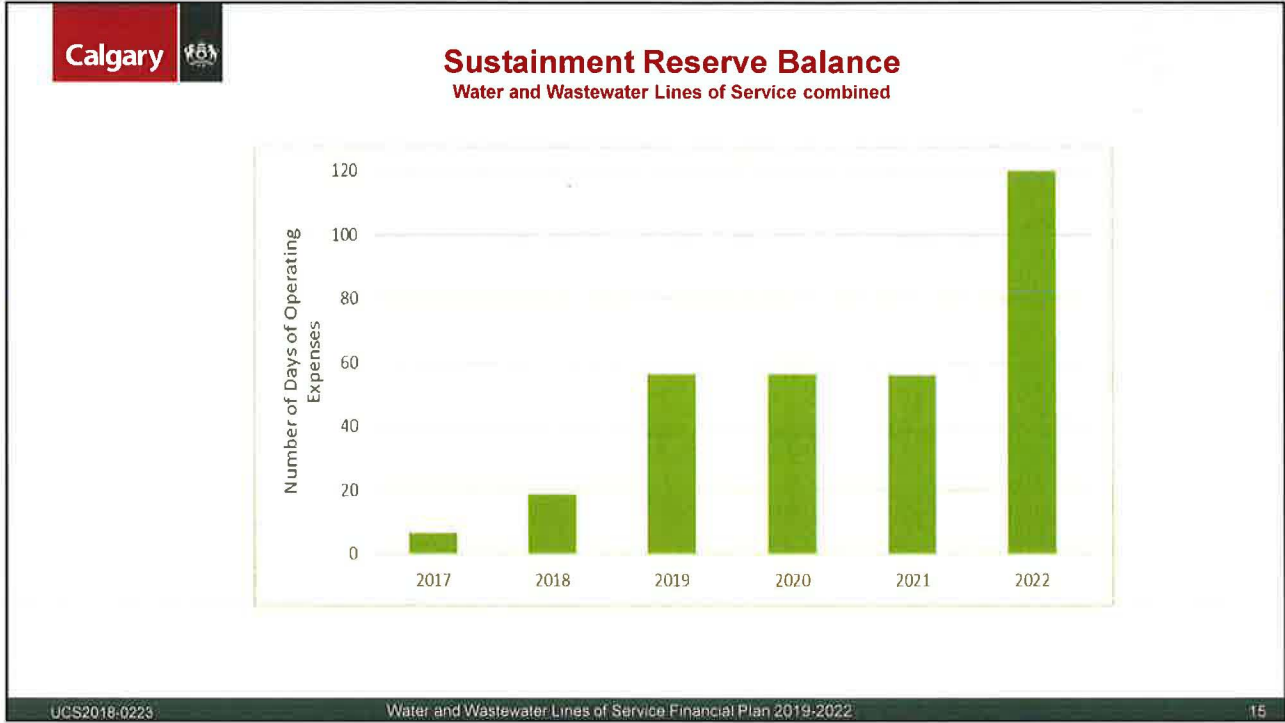


Debt to Service Coverage Ratio Water and Wastewater Lines of Service



Total Debt Water and Wastewater Lines of Service combined





ADMINISTRATION RECOMMENDATION:

That the SPC on Utilities and Corporate Services recommends that Council approve the recommended financial plan policies, measures and targets for Water and Wastewater lines of service for 2019-2022 shown in Attachment 2.

And further that Report UCS2018-0223 be forwarded as an item of Urgent Business to the 2018 March 19 Combined Meeting of Council.