Calgary

Off-site Levy Bylaw Review – Water Resources Working Group Stakeholder Consultation Meeting Notes

Date/Time: July 20, 2023 / 10:00 a.m. – 11:28 a.m.

Location: MS Teams – video conferencing

Attendees:

Internal	External
Marcus Berzins	Greg Bodnarchuk
Jennifer Black	Shameer Gaidhar
Maggie Choi	Brian Hahn
Garrath Douglas	Guy Huntingford
Helena Nguyen	Mohamad Mohamad
Chris Tse	Chris Ollenberger
Erika Van Boxmeer*	Jackie Stewart
	Michele Ward
	Mark Wynker
Regrets	
	Paul Battistella
	Jay German

*Note taker

Agenda

1. **Welcome, Introductions & Agenda Overview** (Chris Tse)
2. **Refresher on Methodology & Formula** (Chris Tse)
3. **Proposed Linear Water/Wastewater Rates** (Chris Tse)
4. **Linear Water/Wastewater Project List Updates** (Chris Tse)
5. **Next Steps** (Chris Tse)
6. **Discussion** (Chris Tse)

Feedback collected:

General Feedback/Comments:

- Slide 3 - is that description correct? benefitting area? It's not necessarily the benefitting area but the approved area?
- When moving debt, you're talking about new projects?
- Slide 10 – For point #2 – does this mean, we agree a project has been triggered, then The City will determine if they have the resources to deliver the project or have the developer deliver the project? If the City delivers the project does this mean that you don't qualify for reimbursement?

- Slide 4 – It says that the land base is different for water and wastewater. Water/Wastewater linear financial model – The land amount being used is shared in cell M11, if I look at this it looks like exactly the same denominator being used for water and wastewater, is that correct? So, is the capacity being built out will serve the same land? Seems like a coincidence that the number is the same, want to check that this is the case.
- Linear Financial Model tab 3 – This is the current state of how things have come along since 2016?
    - In the past have asked for the model done in 2015/2016 for this, can you send it?
    - The I3 number of 290,000 – to try and get a sense of a comparison to last year (with record housing starts) can we do a DA month-by-month comparison of what's happened in 2023 and 2022 to wrap our heads around what's been happening.
- Slide 4 – you can see that we're looking at substantial increases to both linear water and wastewater. Considering affordability and how we're going to understand and support capacity. Is part of the reason for the increase tied to the historical costs coming in and whether the next 4,612 acres is bearing the cost of that? Can you help us understand how the shortfall is going to be paid over time. Need the information to help membership understand what's happening with that historical shortfall and how it will be dealt with.
    - Can you answer why there is a difference in the forecasted and actuals for the number of hectares being developed?
    - To support explaining the negative balance coming into our membership, have you provided to us with what the 401 Ha was based on and the actuals? Understanding the deficit is going to be important and want to make sure that the new group of developers aren't paying for this.
    - The industrial lands didn't develop at the same pace over that same time. How do we make sure that residential isn't paying for a shortfall on the industrial side?
    - There's the looking backward piece and looking forward piece and residential paying for industrial buildout. Affordability in Calgary (number of recent reports) is under challenge, it will be our responsibility to say we've looked at all the options to get to the lowest rate possible, because they'll be going onto the price of a home. It will be a big deal for our members and for people buying homes.
    - Two stumbling blocks that we have with the new rates.
        1. The historic costs. That big negative that we're partially carrying because of a shortfall in industrial development. It's a difficult conversation to have with members. Needs to be some recognition that some decisions were not made by industry that have resulted in this deficit. Does it make sense for the development industry to cover this deficit going forward?
        2. This goes back a few development agreements ago – there was a City policy re: the investment. See in the model that the remaining mortgages from those old policies are being used to calculate the levies today. Have an issue with that because asking residents of tomorrow to pay for infrastructure that was built in the past under a different policy. Why are revisiting this commitment now, because that has a significant impact on the levy rate we're talking about today? Needs further discussion and consideration before we can confidently talk to our members and tell them that this is a fair deal.

- Important from a transparency perspective to take the water & wastewater levies and break it into four levy rates – two for historic costs and two for future costs. Trying to blend the two together is making it murky about what we're paying for.
  - 401 Ha forecast – Decisions were made on a forecast, and the industrial side was not realized. What did The City do to encourage industrial development during that time? If we're coming up with forecasts, need to make sure that our policies are in alignment and encourage them to materialize.
- Slides 5/6/7 – Series of project costs on these slides. Slide 5 - Haven't done the math, but when looking at the wastewater extensions, the total would be relatively the same as the costs in the project totals. Slide 6 – likely the same as slide 5. For slide 7, why are there such large increases for the Inglewood Trunk Upgrade and the new TransCanada Sanitary Trunk project. Why have the project costs increased so much? Have all these amounts been approved by Council for expenditure and that's why they've been included? Is the benefitting area limited to the 4,612 Ha within the greenfield?
  - Is it worthwhile then to include the portion of the overall cost that is included in the levy calculation in the tables on slide 5/6/7?
  - When preparing the estimates, you're considering the complexity of the work for upgrade projects?
- How did you calculate the benefit percentages for new projects in the model?
- Slide 10 – The $300,000/project reimbursement was proposed back in 2020, correct? Since 2021 things have moved on, wondering why we're static on the $300,000 given the conversation about cost estimates. What's limiting this proposal to $300,000? Can you explore a higher dollar value based on current circumstances?
- Slide 4 – we talked about going from 25 years to 15 years. Can you help me understand this better, how much of the rate increase is from moving the debt from 25 years to 15 years? If you didn't make this change, what is the impact? Not sure we're moving in the right direction. Understand that you may pay more in borrowing costs by stretching this out over 25 years. Not convinced that the rate will go up with the debt term is extended.
- Do we have the list of all the projects and their benefitting percentages applied? Have we seen that worksheet that gets us to the 4,612 Ha?
  - That answer presumes no further build out beyond the 4,612 Ha's, correct?
  - The 4,612 Ha is the maximum right? Want to make sure the numerator and denominator are in line with each other, the actual costs should only apply to the 4,612 Ha.
- Historical cost – we're missing how much of the historical cost is related to volume, increased cost, etc. Need a better understanding of this so we can better explain it to our members. Need to understand the debt cost too. Asking about the negative balance to start with, before new projects are added in. Mixing the two muddies the waters when it comes to the rate.
- It is not universally understood that the intent of the old methodology was that The City would cover 100% of the principal and interest costs and 50% of project costs.
- Want to understand, for future projects if you move the debt terms back to 25 years you say the rate goes up but I'm not sure how that works.
- Can we see a map that based on what we know today, shows the service area for each project included within the levy?

- Will the map you're working on include the service area as well (based on what we know today), not just the geographic location. The service area information will be helpful for us to understand.
    - When you're looking at the pressure zone redundancy, can you identify the service area based on pressure zone redundancy? Fundamentally we want to understand how much area outside of the 4,612 Ha (new development) is benefitting from the infrastructure, because we feel that there is a disconnect between the numerator or denominator.
    - Looking for one map that overlays all the catchment areas. Recognize that not all the projects service that area. Will help us understand the benefitting areas outside the 4,612 Ha. Perhaps there is a benefitting area outside of the 4,612 Ha, which will help us understand how those future developments will pay for it.
    - We're at a situation where we're drawing the line somewhere that we think is equitable. Don't feel like we have all the information that can bring us to the conclusion that this line is equitable.
- Can you walk through Tab 3 in the financial model and explain how future billings are factored into the balances ($75M shortfall) included in the model?
    - Can you take the numbers and use the annual report as the starting point to navigate us through to what's shown in Tab 3?
- Will you be providing a map showing project locations and breakdown of the 4,612 Ha of approved land?
- Financial model tab 3 - We have investment income up to 2019, then it drops off significantly and very little if any by 2023. How come this has happened?
    - Because you were holding money for a year before spending it that's why the investment income was so large, but the change in 2019 to being able to spend it in the same year reduced it that significantly?

Summary of Action Items

- Will provide a map of the project locations once it is complete.
- Will explore options for demonstrating the service areas in a map.