

An aerial photograph of the Calgary skyline at sunset. The sun is low on the horizon, casting a golden glow over the city. Several prominent skyscrapers are visible, including the Bank of Montreal Tower and the Scotiabank Tower. The buildings are reflected in the sky. In the foreground, there are several large, modern buildings with unique architectural designs. The overall scene is a vibrant and detailed view of the city's urban landscape.

Calgary



Off-site Levy Review Water Resources – Established Area Local- sized Levy

November 18, 2021



Agenda:

1. Introduction & recap of last session
2. Updated consultation timeline and approach
3. Objective questions for today's session
4. Council – The ultimate decision maker
5. Who pays and why?
6. Administration of the Reactive fund including Seed funding, mechanism for payment to developers, and proposed contributions from The City
7. \$1M – Will it be enough?
8. Reporting
9. Future reviews

Recap of last session:

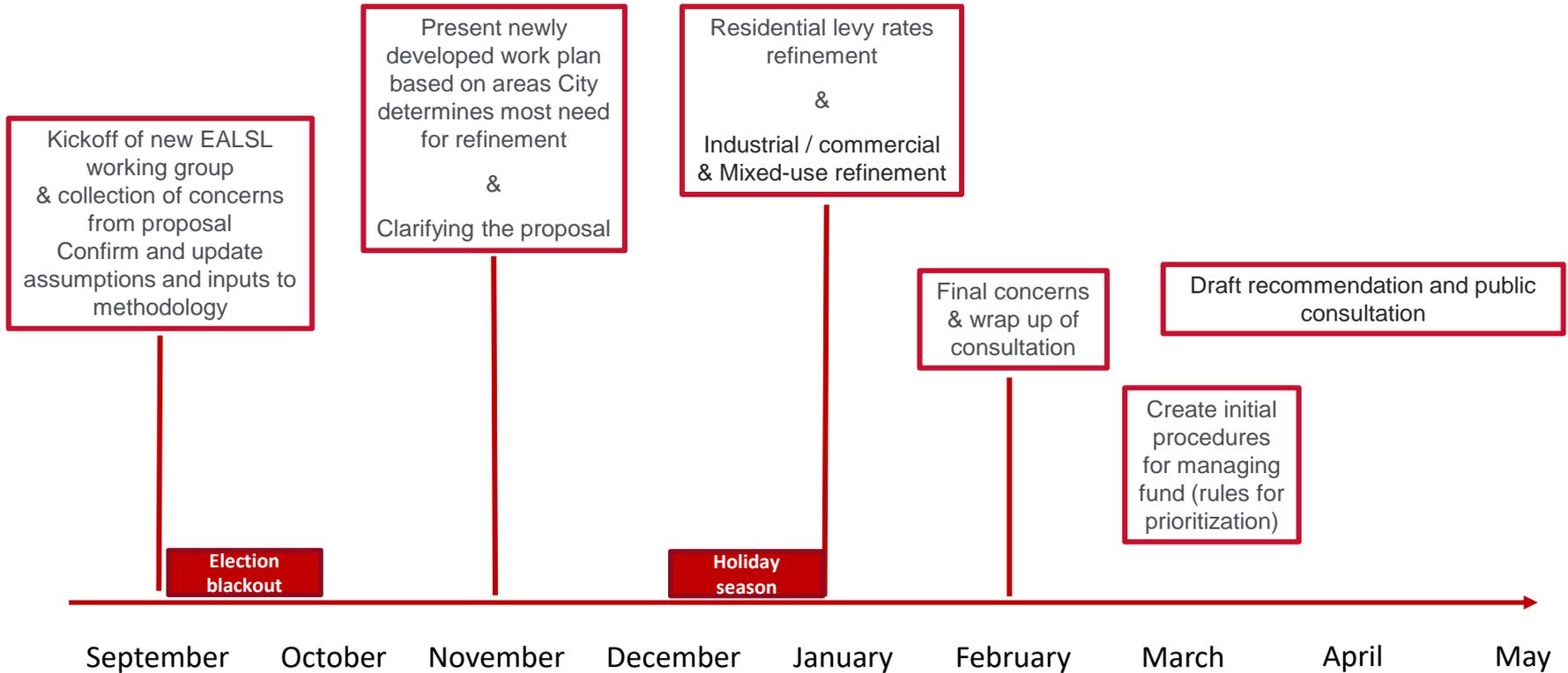
- Consultation expectations
- Problem we are trying to solve and Council Direction
- Reviewed Proposal at a high level
- Reviewed some initial feedback and considerations





Update – Nov. 18, 2021

Established Area *Draft* consultation plan*



| = Planned meeting

*Draft plan subject to change



Objective questions for today's session:

- Where do you still see gaps in determining how the program will work?
- What potential challenges do you anticipate with managing the reactive investment fund?



Council – The ultimate decision maker

Council will decide:

- if this exploration will result in a levy
- if the \$2M seed funding is approved
- if the subsidy amounts (up to \$500k/year, does not build year over year) are approved
- the length of the subsidy portion of the reactive investment program
- if the allocation of funds are approved for the proactive pipes investment program



Who pays and why?

All redevelopment creating a **net increase** in use of the system pays

Examples:

Unit type	Likelihood of upgrade triggered	Impact to system	Pays the levy
Small scale (e.g. Duplex, Fourplex, etc.)	Low, some Fourplexes have triggered upgrades	<ul style="list-style-type: none"> Individually use available capacity Cumulatively do create need for an upgrade Over time, as we see more small scale redevelopment along the same street, will trigger upgrades. 	Yes
Medium scale (Townhouses)	Medium	<ul style="list-style-type: none"> Often require higher fire flow to service site than is available 	Yes
Large scale (high-density condominiums, apartment buildings, etc.)	High	<ul style="list-style-type: none"> Require high fire flow to service site 	Yes
Single-Detached	None	<ul style="list-style-type: none"> No net change in use of the system 	No

Who pays and why? Continued

Currently:

- The development that triggers the upgrade pays for it
- No mechanism for cost sharing with future developments in the area

Under the proposed levy:

- Costs are shared amongst developers
- Levies collected from all redevelopment projects will pay for **reactive upgrades**
- When an upgrade is made on a block, it enables some future growth in the way of available increased capacity



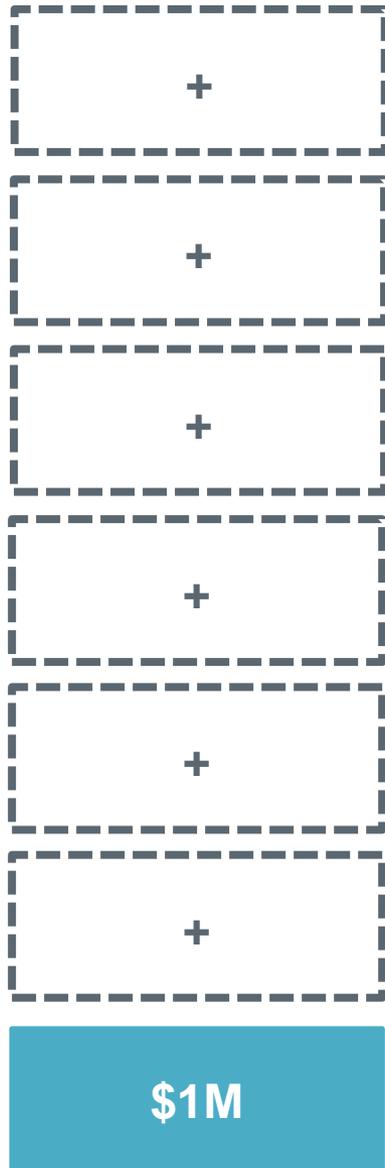


Seed fund:

- \$2M budget available from the Water Utility
 - To respond to initial uptake/spike in demand
 - Flexible to meet demand
 - Draw down seed fund first (ahead of levy balance)



How was the \$1M annual target reactive funding determined and will it be enough?



Considerations:

- Historical indemnification agreement averages
- Indemnification maximums – projects that went ahead
- Outliers – large cost projects that will draw down the fund over many years
- Proportion of collections between Water and Sanitary
- Payback timeframes (speed of repayment)
- Projects that didn't proceed

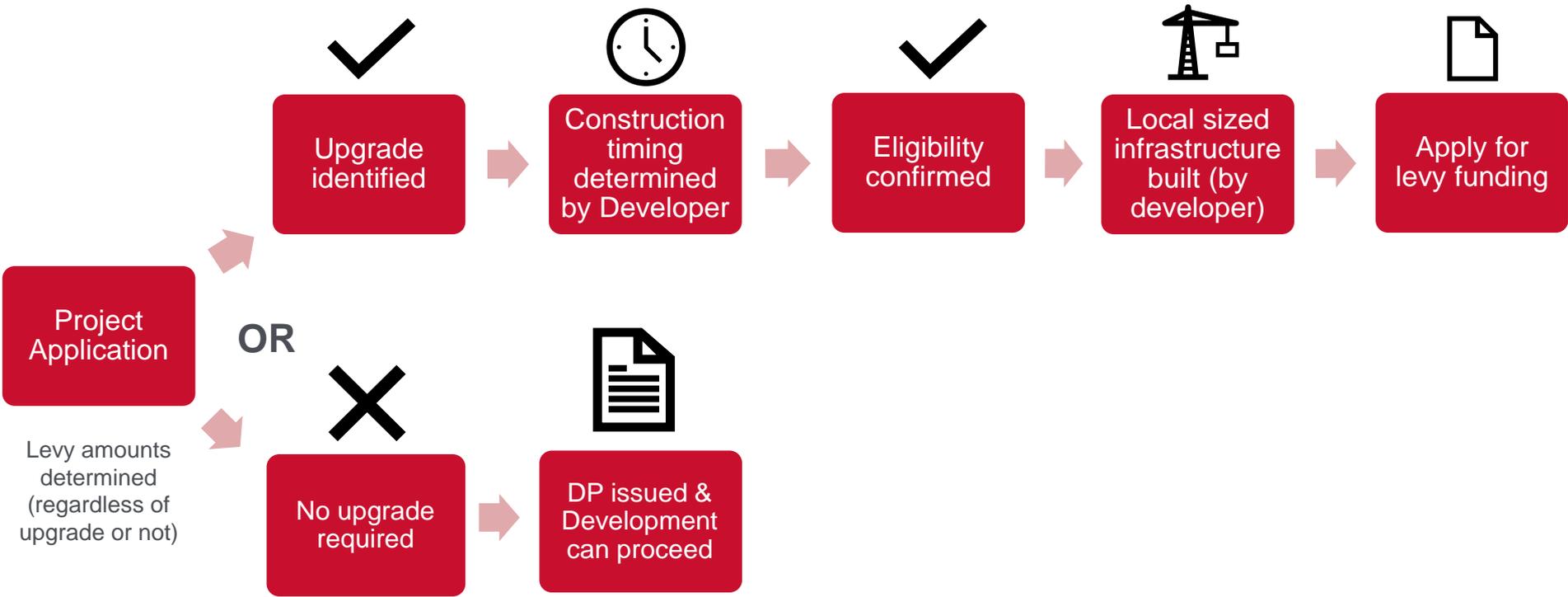
Reactive fund contributions from Water Resources/The City

- Years 1 and 2 funding covered by the \$2M seed fund
- City available funding target up to \$500,000/year starting **year 3**
- Considering keeping this portion flexible (not fixed to a specific infrastructure type) to remain nimble and able to respond to slight increases in one or another area and to reduce delay in payback period.
- The City portion **will not** be accumulated year over year
- The City will only contribute matching funds to what is being paid from the reactive fund
- The City will not pay a larger portion if there are insufficient levy funds available for a project



Application process

Developer can check Reactive fund size & commitments





Payment mechanism – how will it work?



Example 1

2022 E.g. \$250,000 Water Upgrade

Funding confirmed

Construction amount for \$250K paid to developer from Reactive Fund

Example 2

2022 E.g. \$750,000 Water Upgrade

Funding schedule confirmed

First \$300K paid to developer from Reactive Fund

Next \$300K paid to developer from Reactive Fund

Example 3

2022 E.g. \$300,000 Water Upgrade

Funding unavailable until year 2 (all funding committed)

No payment

First \$300K paid to developer from Reactive Fund

Reporting

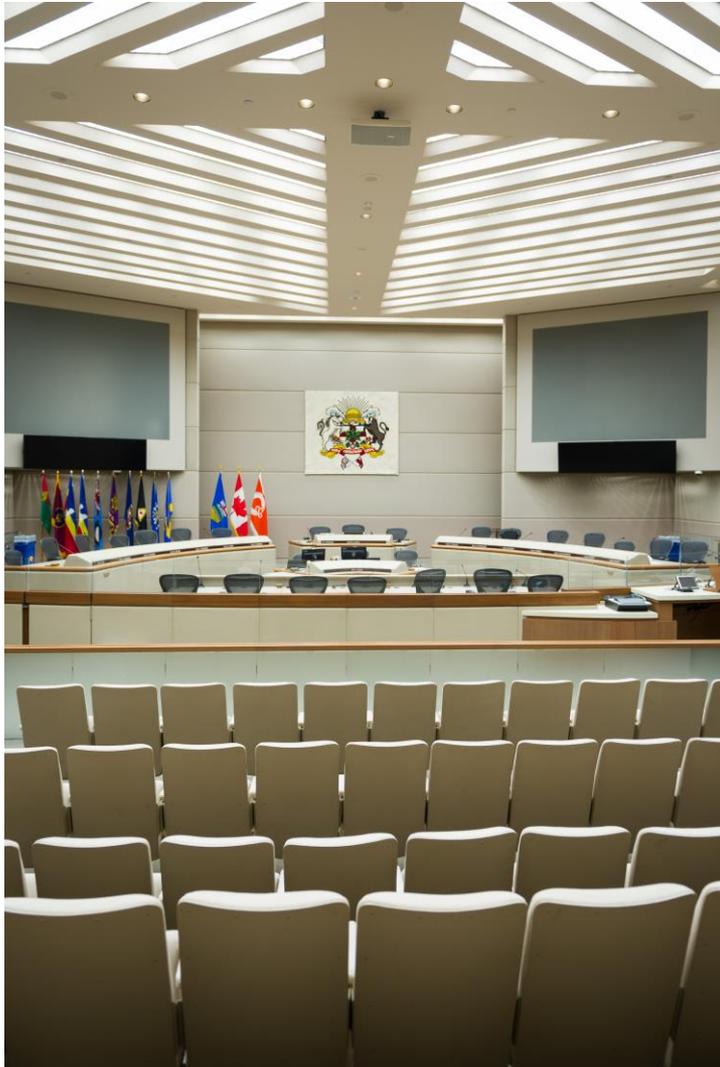


What is useful for industry members?

- Report on committed funds & projects
 - Report on collected funds for the year
 - Report on City contributions
 - Report on levy balances
 - Report on completed reactive investment projects (map them?)
 - Report on investment income
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- **Future:** Exploring potential of a Proactive investment map (completed projects which have the ability to support future redevelopment projects)



Timing



- Target draft recommendation (pending public engagement) - end of May 2022
- Latest date to present to Council is Q3/Q4 2022, when the Off-site Levy Bylaw Review is scheduled

Is it a pilot?



Program review commitment

- Commitment to review the following in two years:
 - Reactive investment fund amounts
 - Split between Water and Wastewater (75% vs. 25%)
 - Anticipated payback periods for projects in progress
 - \$300K/year maximum withdrawal per project
 - Eligibility (is there a type of upgrade that should have been considered that wasn't)



Objective questions for today's session:

- Where do you still see gaps in determining how the program will work?
- What potential challenges do you anticipate with managing the reactive investment fund?

Thank you!