



## **FINANCIAL SERVICES**

<b>TO:</b>	Council		
<b>DATE:</b>	May 25, 2021	<b>DIVISION:</b>	All
<b>FILE:</b>	0650	<b>APPLICATION:</b>	N/A
<b>SUBJECT:</b>	Water and Wastewater Debt Report		

### **POLICY DIRECTION:**

On December 22, 2020, Council passed a resolution to direct Administration to investigate alternate funding sources for annual debt payments related to water and wastewater infrastructure, and to prepare a report for Council's consideration on or before the last Council meeting in May 2021.

### **EXECUTIVE SUMMARY:**

Administration has investigated alternative funding sources for annual debt payments relating to water and wastewater infrastructure and is providing this report to Council for information purposes.

### **ADMINISTRATION RECOMMENDATION:**

Administration recommends that the report be received as information in accordance with Option #1.

### **BACKGROUND:**

The main premise behind the water and wastewater systems was to collect enough off site levies to service the yearly principal and interest payments. Within the borrowing bylaws, there are debt covenants highlighting that, annually, an amount sufficient for the payment of the principal and the interest thereon shall be raised by way of user fees, developer contributions, offsite levies, tax levies or reserve transfers.

In 2013, Council approved \$1 million of tax support annually to ensure Rocky View County made the minimum payments. For the years 2019 and 2020, Rocky View County did not collect enough off site levies to service the water and wastewater debt, and Administration presented a report to Council with two options: 1) make up the difference in levies collected and debt service by supplementing the difference from the Tax Stabilization Reserve; or 2) request a principal payment deferral from our financial institution. Option 2 would have extended the repayment period further into the future. Council approved a transfer from the Tax Stabilization Reserve for 2019 and 2020 to assist in paying down the utility debt.

As requested on December 22, 2020, Administration analyzed the following:

- 1) Paying the entire water and wastewater debt with the Tax Stabilization Reserve. The current balance of the water and wastewater outstanding debt as at December 31, 2020, is \$37.5M. To payout this amount would significantly affect the Tax Stabilization Reserve and limit Council's ability to address any future unfunded projects. This would become even more difficult now that new debt will be issued to purchase additional water and wastewater systems within the County. Additional pressure would be placed on the Tax Stabilization Reserve to potentially subsidize utility systems until they are able to become fully cost recoverable.
  
- 2) Moving the utility debt to the Provincial – Local Authorities Loans (formerly ACFA). This option does not provide the flexibility to pay down debt should the County receive more than required off site levy payments in any given year.



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- 3) Keeping with the current system of: a) an additional \$1 million tax supported assistance to make minimum water and wastewater debt payments; and b) collection of offsite levies to service related utility debt.

Currently, the outstanding debt as at December 31, 2020, consists of the following amounts:

<b>Infrastructure</b>	<b>2020 Year End</b>
Local Improvement Tax (LIT)	\$ 7,312,568.70
Bridges	\$ 350,912.83
Langdon 4th Street Walkway	\$ 248,237.48
Vehicles	\$ 1,399,074.88
Recreation	\$ 111,067.56
Water and Wastewater	\$ 37,469,500.38
	<b>\$ 47,261,614.79</b>

Administration is proposing that: 1) the current funding from offsite levies remain the primary source of funding to service outstanding amounts related to water and wastewater systems; 2) the \$1.0M of additional tax supported payments continue annually to ensure minimum debt service amounts are attainable; and 3) should there be a short fall for debt servicing, Administration would bring a report to Council with appropriate options.

## BUDGET IMPLICATIONS:

There is no budget implication at this time.

## OPTIONS:

- Option #1: THAT the Water and Wastewater Debt report be received for information.  
 Option #2: THAT alternative direction be provided.

Respectfully submitted,

Concurrence,

“Barry Woods”

“Kent Robinson”

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 Manager  
 Financial Services

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 Acting Chief Administrative Officer

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