

Utility — Drainage Services

Introduction

Drainage Services includes both the Sanitary Drainage Utility and Stormwater Drainage Utility. Together, they provide high quality and reliable services to customers in a safe and sustainable manner.

Drainage Services contributes to a number of City Councils' strategic goals. The Utility plays an essential role in preserving and sustaining Edmonton's environment by monitoring the quality and quantity of water returned to the river and through innovative drainage planning approaches such as the Low Impact Design program that minimize the impacts of sanitary and stormwater drainage on water system. Drainage Services also contributes to transforming Edmonton's urban form through proactive asset management like the Drainage Neighbourhood Renewal Program.

Drainage assets have an estimated replacement value of \$14.9 billion as of 2010 and approximately 73% of these assets are pipe structures turned over to the Drainage Utilities by developers, called Contributed Assets. The assets include:

- 2,366 km of storm sewers
- 2,169 km of sanitary sewers
- 943 km of combined sewers
- 35 km of foundation drains
- 332,128 service connections
- 72 pump stations
- 155 stormwater management facilities

Vision: *Excellence and innovation in wastewater, stormwater and biosolids management through customer service, environmental stewardship, and fiscal responsibility.*

Mission: *We protect public health and the environment by managing wastewater, stormwater and biosolids through environmentally and financially sustainable practices for the City of Edmonton, the North Saskatchewan River system, and our regional partners.*



Branch Opportunities and Challenges

1. Financial Sustainability

Outcome: Operations are well managed and sustainable.

Challenge: On June 1, 2011 City Council approved the revised Policy C304C - Drainage Services Utilities Fiscal Policy that sets out a series of Financial Indicator Targets. These targets are established to enable financial sustainability over the long term.

One of the Council-approved Financial Indicator Targets of the revised Policy is an eventual target Return on Rate Base of 4% to support the long-term financial sustainability of both the Sanitary and Stormwater Utilities. The revised Policy also affirms the Debt Coverage Ratio and the Debt to Net Asset Ratio for the Utilities. The payment of a dividend from the Sanitary Utility is eliminated as of 2012, which will reduce the pressure on customer rates.

Action and Timeframe: The 2012 Budgets for Sanitary and Stormwater Drainage reflect a Return on Rate Base of 3.5% and 7.0% respectively. The budgets will enable both utilities to reach Debt Coverage Ratio targets in 2012. Debt to Net Assets ratios are improving and progressing towards the stated targets and the Sanitary Drainage Utility will reach its target by 2013 while the Stormwater drainage is projected to reach its target by 2020.

Making progress toward these financial targets will require a monthly increase in 2012 of \$2.36 to the average residential Sanitary Drainage customer, and \$0.87 to the average residential Stormwater Drainage customer. Reducing the rate changes will leave the Utilities in a negative cash position within 5 years.

Utility — Drainage Services

2. Drainage Neighbourhood Renewal

Outcome: Assets are managed to optimize benefits over their life cycle

Challenge: In response to the Council's direction relating to the Transportation Neighbourhood Renewal Program, Drainage accelerated its Drainage Neighbourhood Renewal Program from \$12 million of expenditures in 2007 to \$41 million in 2011.

This acceleration ensures that the underground work needed for Neighbourhood Renewal is completed the year prior to the road surface work being undertaken. Typically, for every \$4 million of road and sidewalk reconstruction, \$1 million is needed to complete the drainage infrastructure renewal. While the actual cost ratio between Sanitary and Stormwater infrastructure renewal varies depending on the neighbourhood's requirements, for budget purposes the typical percentage split of 50/50 is used.

Action and Timeframe: Based on discussions with Transportation Services, it is expected that between \$40 million to \$60 million (\$147 million in the 2012-2014 Capital Budgets) will be needed for Drainage Neighbourhood Renewal annually to match the planned renewal work. While the 2011 Approved Budget (and therefore customer rates) reflects an investment of about \$41 million, the full cost impact of the capital work (mostly depreciation and interest) will not be reflected until 2012. The monthly impacts on Sanitary and Stormwater rates are projected at \$0.82 and \$0.30, respectively, for the typical single family residential customer.

3. Biosolids Management

Outcome: The impact of operations on air, land and water systems is minimized.

Challenge: Biosolids are a residual waste product from the treatment of wastewater. While the amount of biosolids that has been beneficially disposed of increased to 85% in 2010, the Sanitary Utility has diverted the remainder to be stored in the Clover Bar Lagoons. An accumulated estimated total of 185,000 dry tonnes of biosolids is currently in storage.

There are strict regulations around the proper disposal of biosolids. Currently, the beneficial methods employed by Drainage Services include: the NutriGold program (spread on farmland; which is subject to weather condition and soil composition); and using biosolids as feedstock into the City's Waste Management Composter Facility (capacity and cost issues). As part of a legacy agreement from a previous operator of the Composter Facility, Sanitary Drainage

has paid an amount less than full cost to the Waste Management Utility.

Action and Timeframe: The 2012 budget includes the first of a three-year phase-in period in which the Drainage Utility will pay full cost recovery to the Waste Management Utility for biosolid composting. In addition, the Budget includes funding required to allowing increased biosolid disposal to 90% of the biosolids generated in 2012, 93% in 2013, 96% in 2014, and 100% in 2015. This strategy requires a monthly rate increase of \$0.96 over the 4-year period, of which \$0.44 is needed in 2012.

4. Financial Segregation of Drainage Design & Construction

Outcome: Operations are well managed and sustainable.

Challenge: City Council approved the financial segregation of Drainage Design & Construction from the Sanitary Drainage Utility as part of the 2010 Budget process and in support of the Utility Model. Drainage Design & Construction's activities are non-regulated and carry significant fluctuations in volume and net income depending on the local economy.

Action and Timeframe: The final phase-out of Drainage Design & Construction's net income is reflected in the 2012 Budget. This results in a revenue reduction of \$1.25 million and translates to a \$0.26 monthly increase for the typical single family residential customer for Drainage Services.

5. Operations and Maintenance

Outcome: Operations are well managed and sustainable.

Challenge: The Sanitary and Stormwater Drainage Utilities are facing growth and inflationary pressures. Operations and Maintenance costs (excluding Biosolids, local access fees, depreciation, and interest) represent 48% and 60% of the Utilities' total expenditures respectively. A large portion of these costs are labour-related.

Action and Timeframe: Combined, the 2012 Budgets for Drainage Utilities include a 2.6% increase in the overall 2011 Operations and Maintenance costs. The budget incorporates the operational impacts of maintaining 5,400 km of pipes supporting over 237,000 customers. The monthly impacts on Sanitary and Stormwater rates are projected at \$0.15 and \$0.17, respectively, for the typical single family residential customer.

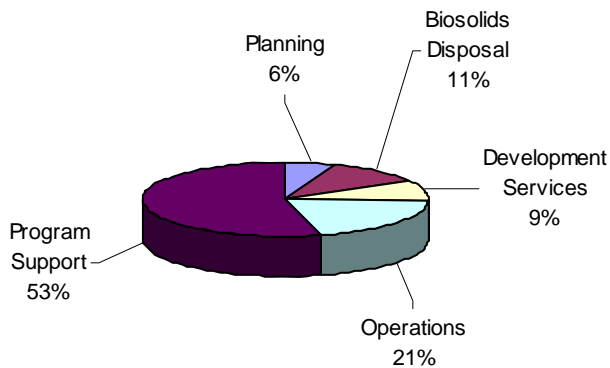
Drainage Services — Sanitary Utility

2012 Budget – Sanitary Utility Summary (\$000)

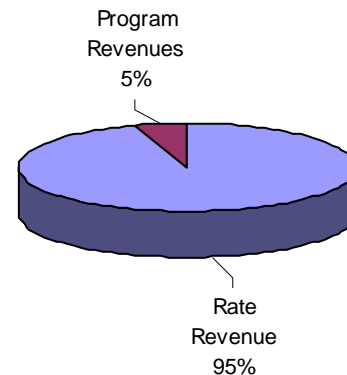
	2010 Actual	2011 Budget	\$ Change '11-'12	2012 Budget	% Change '11-'12
Revenue & Transfers					
Rate Revenue	\$ 63,817	\$ 70,376	\$ 18,654	\$ 89,030	26.5
Program Revenues	3,014	4,078	660	4,738	16.2
Transfer from Design & Construction	1,500	1,250	(1,250)	-	(100.0)
Total Revenue & Transfers	68,331	75,704	18,064	93,768	23.9
Expenditure & Transfers					
Planning	4,949	4,589	(232)	4,357	(5.1)
Biosolids Disposal	5,418	6,335	2,110	8,445	33.3
Development Services	6,572	7,359	(560)	6,799	(7.6)
Operations	12,850	15,156	894	16,050	5.9
Program Support	33,616	35,130	6,317	41,447	18.0
Total Expenditure & Transfers	63,405	68,569	8,529	77,098	12.4
Net Income	\$ 4,926	\$ 7,135	\$ 9,535	\$ 16,670	133.6
Full-time Equivalents	202.6	205.7	10.0	215.7	4.9

For further budget details at a program level, please refer to Section 7.8 of the Rate Filing prepared for the Utility Advisor.

Where the Budget will be spent



Funding by Source



Drainage Services — Sanitary Utility

2012 Budget – Summary (\$000)

	2010 Actual	2011 Budget	\$ Change '11-'12	2012 Budget	% Change '11-'12
Revenue & Transfers					
Rate Revenue	\$ 63,817	\$ 70,376	\$ 18,654	\$ 89,030	26.5
Program Revenues	3,014	4,078	660	4,738	16.2
Transfer from Design & Construction	1,500	1,250	(1,250)	-	(100.0)
Total Revenue & Transfers	68,331	75,704	18,064	93,768	23.9
Expenditure & Transfers					
Personnel	19,764	18,166	1,050	19,216	5.8
Materials, Goods & Supplies	1,624	2,294	120	2,414	5.2
External Services	4,090	4,008	136	4,144	3.4
Customer Billing	3,509	3,909	427	4,336	10.9
Fleet Services	2,009	1,959	(95)	1,864	(4.8)
Shared Services	4,583	6,049	(829)	5,220	(13.7)
Other Intra-municipal Services	(2,659)	526	398	924	75.7
Biosolids Disposal	5,418	6,335	2,110	8,445	33.3
Local Access Fees	5,116	5,306	1,816	7,122	34.2
Interest and Depreciation	18,433	19,073	3,908	22,981	20.5
Other Charges	1,836	1,764	(100)	1,664	(5.7)
Transfer to Reserves	1,300	1,300	-	1,300	-
Subtotal	65,023	70,689	8,941	79,630	12.6
Intra-municipal Recoveries	(1,618)	(2,120)	(412)	(2,532)	19.4
Total Expenditure & Transfers	63,405	68,569	8,529	77,098	12.4
Net Income	\$ 4,926	\$ 7,135	\$ 9,535	\$ 16,670	133.6
Full-time Equivalents	202.6	205.7	10.0	215.7	4.9

Budget Changes for 2012

Revenue & Transfers - Changes

Rate Revenue \$18,654

The proposed increase to the monthly user fee charged on the utility bill will generate approximately \$16,149, in additional rate revenue while customer growth accounts for another \$883 increase in revenues. This is partially offset by decreased rate revenue due to reduced projected customer consumption, \$1,622.

Program Revenue \$660

This increase is primarily due to new negotiated rates with the ACRWC for bio-solids management and supernatant treatment as a result of the 2010 Cost of Services Study, phasing in the rate adjustment over a 3-year period. It has been off-set by a decrease of \$414 in interest revenue as a lower ending cash balance is forecasted which relates to the lack of Return on Rate Base and increased capital investment.

Transfer from Design & Construction (\$1,250)

The proposed 2012 Budget reflects the end of using Net Income from Design and Construction to reduce the overall revenue requirement.

Drainage Services — Sanitary Utility

Expenditures & Transfers - Changes

Personnel \$1,050

Personnel cost changes relate to increases in the City share of employee benefit costs, \$277, and new staffing requirements to support the higher operating and maintenance costs due to projected customer growth and increased capital such as Neighbourhood Renewal and Flood Prevention, \$753.

Material, Goods & Supplies \$120

The increase of \$120 is primarily due to additional material costs for pump stations, gate stations and sensor stations, \$66, and additional costs for the Odour Control Application project, \$91.

External Services \$136

The increase of \$136 is primarily due to higher lab costs for testing and monitoring for additional facilities for the Environmental Monitoring Program to fulfill the requirements of the Approval to Operate, \$60.

Customer Billing \$427

The Proposed 2012 Budget reflects inflationary increases, adjusted for customer growth, and also includes bad debt expense previously included with Other Charges.

Fleet Services (\$95)

An increase in Fleet Services of \$162 is attributable to fuel cost increases. An increase of \$159 is attributed to rate increase and changes in volume due to growth in the number of customers. This is offset by a reduction of \$416 as Drainage Services now purchases vehicles through the capital program instead of leasing through Fleet.

Shared Services (\$829)

The Proposed 2012 Budget for Shared Services reflects a decrease of \$829 primarily due to the allocation of costs to Stormwater and Drainage Design & Construction to better reflect their true portion of these costs.

Intra-municipal Services \$398

The proposed increase represents inflation as well as an allocation of items that were previously considered Shared Service costs.

Biosolids Disposal \$2,110

The additional costs for biosolids disposal represents the first of a 3-year phase-in period that will result in Drainage Services paying full cost associated with the disposal of biosolids to the Waste Management Utility. It also includes disposal volume increase from 85% to 90%.

Local Access Fees \$1,816

The Local Access Fee is calculated based on 8% of Rate Revenue, therefore as the total amount of Rate Revenue increases, so does the amount of Local Access Fee to be paid to the City of Edmonton.

Interest and Depreciation \$3,908

The proposed increase of \$3,908 is due to increased interest expense of \$2,170 as a result of higher financing required to fund the capital plan and \$1,738 in increased Depreciation resulting from additional capital assets put into service .

Other Charges (\$100)

Additional costs for power & natural gas for pump stations, gate stations and sensor stations are expected as well as inflationary increases. This is offset by the reclassification of bad debts from Other Charges to Customer Billing in 2012.

Intra-municipal Recoveries (\$412)

Capital recoveries have increased due to additional capital work.

Full-time Equivalents - Changes

The 2012 FTE change reflects new staffing requirements to manage the projected customer growth and support the increased invested capital in programs such as Neighbourhood Renewal and Flood Prevention. This results in a total of 10.0 permanent FTE.

Drainage Services — Sanitary Utility

Pro-Forma Statements (\$000)

	2012	2013	2014	2015	2016
Revenues					
Rate Revenue	89,030	95,298	104,885	110,293	117,586
Program Revenue	4,693	5,164	5,599	5,767	5,940
Interest Income	45	198	391	481	432
Total Revenues	93,768	100,660	110,875	116,541	123,958
Expenses					
Operating & Maintenance	36,139	39,192	41,798	42,922	44,077
Interest	12,627	14,008	15,524	17,439	19,751
Depreciation	10,354	11,285	12,225	11,930	12,948
Local Access Fees	7,122	7,624	8,391	8,823	9,407
Shared Services	5,220	5,359	5,504	5,652	5,804
Customer Billing Service	4,336	4,452	4,572	4,695	4,821
Sanitary Servicing Strategy Fund Payment	1,300	1,300	1,300	1,300	1,300
Total Expenses	77,098	83,220	89,314	92,761	98,108
Net Income	16,670	17,440	21,561	23,780	25,850
Opening Retained Earnings	828,861	900,950	964,952	1,024,834	1,095,225
Net income (loss)	16,670	17,440	21,561	23,780	25,850
Net Change in Contributed Assets	56,133	46,562	38,321	46,611	32,868
Dividend Payment	(714)	-	-	-	-
Ending Retained Earnings	900,950	964,952	1,024,834	1,095,225	1,153,943
<i>Monthly \$ Increase over previous year</i>	\$4.03	\$1.03	\$1.69	\$0.80	\$1.12
<i>Typical Single Family Monthly Unit Rate</i>	\$19.41	\$20.44	\$22.13	\$22.93	\$24.05

Drainage Services — Sanitary Utility

Pro-Forma Statements (\$000)

	2012	2013	2014	2015	2016
Financial Assets					
Cash	9,893	19,560	24,029	21,617	22,909
Other Current Assets	56,121	56,121	56,121	56,121	56,121
Total Assets	66,014	75,681	80,150	77,738	79,030
Liabilities					
Liabilities	6,759	6,759	6,759	6,759	6,759
Long-term Debt	281,200	316,179	341,007	379,971	415,787
Total liabilities	287,959	322,938	347,766	386,730	422,546
Net Financial Assets (Net Debt)	(221,945)	(247,257)	(267,616)	(308,992)	(343,516)
Non-Financial Assets					
Contributed Tangible Capital Assets	635,127	681,689	720,010	766,621	799,489
Non-Contributed Tangible Capital Assets	487,768	530,520	572,440	637,596	697,970
Total Non-Financial Assets	1,122,895	1,212,209	1,292,450	1,404,217	1,497,459
Retained Earnings	900,950	964,952	1,024,834	1,095,225	1,153,943

Drainage Services — Sanitary Utility

Financial Indicators

	2012	2013	2014	2015	2016
1 Rates Sufficient to Meet Expenses					
Net Income (loss)	\$ 16,670	\$ 17,440	\$ 21,561	\$ 23,780	\$ 25,850
<i>Target</i>	<i>Positive Net Income</i>				
2 Fair and Reasonable Return					
Return on Rate Base	3.5%	3.5%	4.0%	4.0%	4.0%
<i>Target</i>	<i>Return to be between 4% and 10%</i>				
<i>Typical Residential Monthly Billing Increase</i>	\$ 4.03	\$ 1.03	\$ 1.69	\$ 0.80	\$ 1.12
<i>Impact of Customer Rate</i>	29.5%	6.1%	9.1%	4.4%	5.7%
3 Financing of Capital Investments					
Debt Coverage Ratio	1.7	1.6	1.7	1.6	1.6
Debt to Net Assets Ratio	58%	60%	60%	60%	60%
<i>Target</i>	<i>Debt Coverage Ratio Not Less than 1.3 Debt to Net asset ratio at 60%</i>				
4 Cash Balance					
Uncommitted Cash Balance	\$ 9,893	\$ 19,560	\$ 24,029	\$ 21,617	\$ 22,909
Next Year's Capital Financed by RE	\$ 6,519	\$ 15,183	\$ 23,190	\$ 21,348	\$ 17,253
<i>Target</i>	<i>Sufficient cash for planned capital investment to be financed by Retained Earnings</i>				
5 Long Range Plans					
Pro-forma Information	10 Years	10 Years	10 Years	10 Years	10 Years
<i>Target</i>	<i>10 year financial planning horizon</i>				

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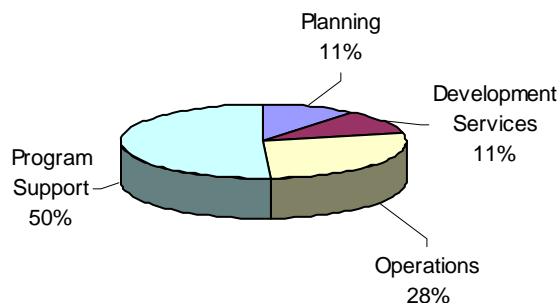
Drainage Services — Stormwater Utility

2012 Budget – Stormwater Utility Summary (\$000)

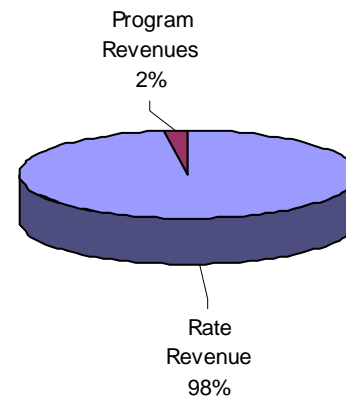
	2010 Actual	2011 Budget	\$ Change '11-'12	2012 Budget	% Change '11-'12
Revenue & Transfers					
Rate Revenue	\$ 26,357	\$ 28,617	\$ 7,236	\$ 35,853	25.3
Program Revenues	558	619	155	774	25.0
Total Revenue & Transfers	26,915	29,236	7,391	36,627	25.3
Expenditure & Transfers					
Planning	1,500	2,749	(181)	2,568	(6.6)
Development Services	2,954	2,335	272	2,607	11.6
Operations	4,617	6,162	474	6,636	7.7
Program Support	8,603	10,183	2,032	12,215	20.0
Total Expenditure & Transfers	17,674	21,429	2,597	24,026	12.1
Net Income	\$ 9,241	\$ 7,807	\$ 4,794	\$ 12,601	61.4
Full-time Equivalents	94.8	96.7	4.0	100.7	4.1

For further budget details at a program level, please refer to Section 7.8 of the Rate Filing prepared for the Utility Advisor.

Where the Budget will be spent



Funding by Source



Drainage Services — Stormwater Utility

2012 Budget – Summary (\$000)

	2010 Actual	2011 Budget	\$ Change '11-'12	2012 Budget	% Change '11-'12
Revenue & Transfers					
Rate Revenue	\$ 26,357	\$ 28,617	\$ 7,236	\$ 35,853	25.3
Program Revenues	558	619	155	774	25.0
Total Revenue & Transfers	26,915	29,236	7,391	36,627	25.3
Expenditure & Transfers					
Personnel	4,122	8,220	553	8,773	6.7
Materials, Goods & Supplies	892	857	71	928	8.3
External Services	1,568	1,958	31	1,989	1.6
Customer Billing	814	908	105	1,013	11.6
Fleet Services	398	824	(34)	790	(4.1)
Shared Services	1,382	1,828	46	1,874	2.5
Other Intra-municipal Services	3,742	172	181	353	105.2
Interest and Depreciation	5,548	7,614	1,668	9,282	21.9
Other Charges	418	481	(39)	442	(8.1)
Subtotal	18,884	22,862	2,582	25,444	11.3
Intra-municipal Recoveries	(1,210)	(1,433)	15	(1,418)	(1.0)
Total Expenditure & Transfers	17,674	21,429	2,597	24,026	12.1
Net Income	\$ 9,241	\$ 7,807	\$ 4,794	\$ 12,601	61.4
Full-time Equivalents	94.8	96.7	4.0	100.7	4.1

Budget Changes for 2012

Revenue & Transfers - Changes

Rate Revenue \$7,236

The proposed increase to the monthly user fee charged on the utility bill will generate about \$6,189 in additional rate revenue with the remaining coming from projected customer growth, \$1,047.

Program Revenue \$155

This increase is primarily due to an increase of \$146 in interest revenue as a higher ending cash balance is forecasted.

Drainage Services — Stormwater Utility

Expenditures & Transfers - Changes

Personnel \$553

Personnel cost changes relate to increases in the City share of employee benefit costs, \$114, and new staffing requirements to support the higher operating and maintenance costs due to projected customer growth and increased capital such as Neighbourhood Renewal and Flood Prevention, \$336.

Material, Goods & Supplies \$71

The increase of \$71 is primarily due to additional material costs for the new Groat Road Stormwater filter facility, \$50, and additional costs for the Odour Control Application project, \$39.

External Services \$31

The increase of \$31 is primarily due to higher lab costs for testing and monitoring for additional facilities for the Environmental Monitoring Program to fulfill the requirements of the Approval to Operate, \$40.

Customer Billing \$105

The Proposed 2012 Budget reflects inflationary increases, adjusted for customer growth, and also includes bad debt expense previously included with Other Charges.

Fleet Services (\$34)

An increase in Fleet Services of \$58 is attributable to fuel cost increases. An increase of \$57 is attributed to rate increase and changes in volume due to growth in the number of customers. This is offset by a reduction of \$149 as Drainage Services now purchases vehicles through the capital program instead of leasing through Fleet.

Shared Services \$46

The Proposed 2012 Budget for Shared Services reflects an increase of \$46 primarily due to the allocation of costs to Stormwater from Sanitary to better reflect their true portion of these costs.

Intra-municipal Services \$181

The proposed increase represents inflation as well as an allocation of items that were previously considered Shared Service costs.

Interest and Depreciation \$1,668

The proposed increase of \$1,668 is primarily due to increased interest expense of \$1,490 as a result of the higher financing required to fund the capital plan and \$178 in increased Depreciation resulting from additional capital assets put into service.

Other Charges (\$39)

Additional costs for power & natural gas for pump stations, gate stations and sensor stations are expected as well as inflationary increases. This is offset by the reclassification of bad debts from Other Charges to Customer Billing in 2012.

Intra-municipal Recoveries \$15

Capital recoveries have increased due to additional capital work.

Full-time Equivalents - Changes

The 2012 FTE change reflects new staffing requirements to manage the projected customer growth and support the increased invested capital in programs such as Neighbourhood Renewal and Flood Prevention. This results in a total of 4.0 permanent FTE.

Drainage Services — Stormwater Utility

Pro-Forma Statements (\$000)

	2012	2013	2014	2015	2016
Revenues					
Rate Revenue	35,853	41,586	48,059	55,138	62,641
Program Revenue	346	355	365	376	387
Interest Income	428	508	488	552	648
Total Revenues	36,627	42,449	48,912	56,066	63,676
Expenses					
Operating & Maintenance	11,857	12,494	12,948	13,296	13,654
Customer Billing Service	1,013	1,040	1,068	1,097	1,126
Shared Services	1,874	1,924	1,976	2,029	2,084
Depreciation	3,845	4,424	5,288	6,136	7,098
Interest	5,437	6,835	8,473	10,565	12,844
Total Expenses	24,026	26,717	29,753	33,123	36,806
Net Income	12,601	15,732	19,159	22,943	26,870
Opening Retained Earnings	1,017,122	1,065,902	1,113,026	1,162,464	1,215,956
Net income (loss)	12,601	15,732	19,159	22,943	26,870
Net Change in Contributed Assets	36,179	31,392	30,279	30,549	30,020
Ending Retained Earnings	1,065,902	1,113,026	1,162,464	1,215,956	1,272,846
<i>Monthly \$ Increase over previous year</i>	\$1.34	\$1.11	\$1.24	\$1.33	\$1.39
<i>Typical Single Family Monthly Unit Rate</i>	\$7.68	\$8.79	\$10.03	\$11.36	\$12.75

Drainage Services — Stormwater Utility

Pro-Forma Statements (\$000)

	2012	2013	2014	2015	2016
Financial Assets					
Cash	25,409	24,413	27,603	32,402	42,202
Other Current Assets	2,586	2,586	2,586	2,586	2,586
Total Assets	27,995	26,999	30,189	34,988	44,788
Liabilities					
Liabilities	4,378	4,378	4,378	4,378	4,378
Long-term Debt	140,477	170,648	205,125	243,947	281,423
Total liabilities	144,855	175,026	209,503	248,325	285,801
Net Financial Assets (Net Debt)	(116,860)	(148,027)	(179,314)	(213,337)	(241,013)
Non-Financial Assets					
Contributed Tangible Capital Assets	984,355	1,015,747	1,046,026	1,076,574	1,106,594
Non-Contributed Tangible Capital Assets	198,407	245,306	295,752	352,719	407,265
Total Non-Financial Assets	1,182,762	1,261,053	1,341,778	1,429,293	1,513,859
Retained Earnings	1,065,902	1,113,026	1,162,464	1,215,956	1,272,846

Drainage Services — Stormwater Utility

Financial Indicators

	2012	2013	2014	2015	2016
1 Rates Sufficient to Meet Expenses					
Net Income (loss)	\$ 12,601	\$ 15,732	\$ 19,159	\$ 22,943	\$ 26,870
<i>Target</i>	<i>Positive Net Income</i>				
2 Fair and Reasonable Return					
Return on Rate Base	7.0%	7.0%	7.0%	7.0%	7.0%
<i>Target</i>	<i>Return to be between 4% and 10%</i>				
<i>Typical Residential Monthly Billing Increase</i>	\$ 1.34	\$ 1.11	\$ 1.24	\$ 1.33	\$ 1.39
<i>Impact of Customer Rate</i>	20.9%	14.5%	14.1%	13.3%	12.2%
3 Financing of Capital Investments					
Debt Coverage Ratio	2.4	2.4	2.3	2.3	2.3
Debt to Net Assets Ratio	71%	70%	69%	69%	69%
<i>Target</i>	<i>Debt Coverage Ratio Not Less than 1.3 Debt to Net asset ratio at 60%</i>				
4 Cash Balance					
Uncommitted Cash Balance	\$ 25,409	\$ 24,413	\$ 27,603	\$ 32,402	\$ 42,202
Next Year's Capital Financed by RE	\$ 16,569	\$ 15,694	\$ 17,776	\$ 16,725	\$ 42,995
<i>Target</i>	<i>Sufficient cash for planned capital investment to be financed by Retained Earnings</i>				
5 Long Range Plans					
Pro-forma Information	10 Years	10 Years	10 Years	10 Years	10 Years
<i>Target</i>	<i>10 year financial planning horizon</i>				

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Drainage Services — Sanitary and Stormwater Utilities

2012-2014 Capital Budgets and 2015-2021 Plan (000's)

Capital Projects	Carryforward from 2011	Proposed Capital Budget			2012-2014 Budget Including Carryforward from 2011	2015 - 2021 Plan	2012 - 2014 Budget & 2015 - 2021 Plan	Total Project Plan	Budget Approved in Prior Years	Current Budget Request
		2012	2013	2014						
UTILITY FINANCED CAPITAL PROJECTS										
Drainage Neighbourhood Renewal										
Drainage Neighbourhood Renewal Coordination	-	36,826	50,317	59,975	147,118	341,862	488,981	488,981	-	488,981
Sewer Upgrading	-	529	550	570	1,649	93,073	94,722	1,649	-	1,649
Service Connection Renewal	-	529	550	570	1,649	191,609	193,258	1,649	-	1,649
	-	37,884	51,417	61,115	150,416	626,545	776,961	492,279	-	492,279
Drainage System Rehabilitation										
Creek Erosion Protection	-	529	550	570	1,649	11,677	13,326	1,649	-	1,649
Structures Rehabilitation	-	6,253	6,500	6,736	19,490	55,006	74,496	19,490	-	19,490
Sewer Rehabilitation	-	13,226	13,529	13,678	40,433	101,393	141,826	40,433	-	40,433
	-	20,009	20,579	20,984	61,572	168,076	229,648	61,572	-	61,572
Drainage Facilities Upgrading										
Facilities, Equipment & System Renewal	-	2,508	2,349	2,627	7,484	26,303	33,787	7,484	-	7,484
Residuals Disposal Facility	-	212	330	342	884	5,964	6,847	6,847	-	6,847
	-	2,719	2,679	2,969	8,368	32,267	40,635	14,331	-	14,331
Flood Prevention										
Neighbourhood Flood Prevention Projects	(2,186)	5,631	5,130	2,865	11,440	45,694	57,135	129,518	121,738	7,780
Opportunistic Flood Prevention Project	-	-	1,100	5,699	6,799	2,367	9,166	9,166	-	9,166
Overland Drainage	-	851	884	916	2,651	7,483	10,135	2,651	-	2,651
Morris Pond	-	5,233	3,984	-	9,217	-	9,217	18,228	60,327	(42,099)
	(2,186)	11,715	11,098	9,481	30,108	55,544	85,652	159,563	182,065	(22,502)
Environmental Quality Enhancement										
Environmental Enhancement Projects	-	2,800	3,289	3,977	10,065	14,586	24,651	10,065	-	10,065
Mill Creek End of Pipe Treatment Facility	-	-	385	456	841	8,346	9,187	9,187	-	9,187
	-	2,800	3,674	4,433	10,906	22,932	33,838	19,252	-	19,252
Combined Sewer Overflow Strategy										
Opportunistic Sewer Separation	-	3,629	3,520	3,875	11,024	29,616	40,641	58,210	47,410	10,800
WESS W12	-	6,349	2,733	-	9,082	-	9,082	45,509	44,913	596
Combined Sewer Overflow Control Projects	-	4,867	3,190	3,989	12,046	35,696	47,742	12,046	-	12,046
	-	14,845	9,443	7,865	32,153	65,312	97,465	115,765	92,323	23,442
Subtotal - Utility Financed Capital Projects	(2,186)	89,972	98,889	106,847	293,522	970,676	1,264,198	862,763	274,388	588,375
CONTRIBUTED CAPITAL PROJECTS										
Sanitary Servicing Strategy										
Sanitary Servicing Strategy Projects	-	21,479	21,041	15,673	58,193	135,368	193,561	193,561	-	193,561
SSSF Developer Built Projects	6,300	-	-	-	6,300	-	6,300	6,300	6,300	-
Mill Woods Double Barrel Replac/SESS SA1	1,218	7,976	6,599	2,508	18,301	-	18,301	56,929	53,163	3,766
	7,518	29,455	27,640	18,180	82,794	135,368	218,162	256,790	59,463	197,327
Drainage System Expansion										
System Expansion Projects	-	20,528	12,407	10,578	43,513	97,014	140,526	43,513	-	43,513
	-	20,528	12,407	10,578	43,513	97,014	140,526	43,513	-	43,513
Subtotal - Contributed Capital Projects	7,518	49,984	40,047	28,758	126,306	232,382	358,688	300,303	59,463	240,840
TOTAL - CAPITAL PROJECTS	5,332	139,956	138,936	135,604	419,828	1,203,058	1,622,886	1,163,065	333,851	829,214

In order to provide efficient & effective services, maintain the current drainage infrastructure, and ensure the necessary infrastructure is in place to support the growing needs of the City of Edmonton, Drainage Services is focused on key capital investments such as Neighbourhood Renewal, Flood Prevention, and System Rehabilitation. The funding strategy for the proposed 2012-2014 Capital Budget is as follows:

	2012	2013	2014	3-Year Total
Sanitary - Long Term Debt (25 years)	40,660	47,517	38,962	127,139
Sanitary - Retained Earnings	7,298	6,519	15,183	29,000
Sanitary - Utility Financed	47,958	54,036	54,145	156,139
Stormwater - Long Term Debt (25 years)	36,959	34,755	40,040	111,753
Stormwater - Retained Earnings	8,819	16,569	15,694	41,082
Stormwater - Utility Financed	45,777	51,324	55,734	152,835
Total - Utility Financed	93,735	105,360	109,879	308,974
Total - Contributed	46,221	33,575	25,725	105,521
Total - Capital Financing	139,956	138,935	135,604	414,495

Drainage Services — Sanitary and Stormwater Utilities

2012-2014 Capital Budgets and 2015-2021 Plan (000's)

In general, the Sanitary and Stormwater Utilities are moving towards a capital financing strategy of 60% debt and 40% equity. Approval of this 3-Year Capital Budget will result in the eventual meeting of this target. Sanitary is forecasted to achieve this target in 2014 while Stormwater is forecasted to meet this target in 2020.

	2011 Budget	2012 Forecast	2013 Forecast	2014 Forecast
Sanitary				
Debt Coverage Ratio	1.3	1.7	1.6	1.7
Debt to Net Assets Ratio	54%	58%	60%	60%
Stormwater				
Debt Coverage Ratio	2.5	2.4	2.4	2.3
Debt to Net Assets Ratio	73%	71%	70%	69%

Please refer to the 2012 Rate Filings for a summary of the capital plan from 2015-2021, along with discussions surrounding each of the capital program.

Drainage Services — Sanitary and Stormwater Utilities

Bylaws Requiring Approval (rate increases, debentures, etc.)

Bylaw #	Description
#15924 (Amendment #28)	Sewers Use Bylaw - To set sanitary sewer and land drainage rates to provide for the operation of the Drainage utility in accordance with the Utility Fiscal Policy.
#15926 (Amendment #6)	Surface Drainage Bylaw - To set lot grading inspection fees to cover the cost of service provided by Drainage Services.
#15925 (Amendment #16)	Sewers - To set sanitary sewer trunk charge rates that allow for the connection of a private drainage system to a sewer service that connects or will be connected to a sanitary or combined sewer.

Drainage Services — Sanitary and Stormwater Utilities

2012 Budget—User Fee Information

	2011 Fee	\$ Increase	% Increase	Proposed 2012 Fee
Sewers Use - Bylaw 9675				
Residential Collection & Transmission				
Monthly Charge	\$3.59	\$1.06	29.5%	\$4.65
Consumption Charge (per m ³)	\$0.6863	\$0.20	29.5%	\$0.8887
Commercial / Industrial Collection & Transmission				
Monthly Charge	\$3.59	\$1.06	29.5%	\$4.65
Consumption Charge (first 10,000m ³)	\$0.6863	\$0.20	29.5%	\$0.8887
Consumption Charge (over 10,000m ³)	\$0.5310	\$0.16	29.5%	\$0.6876
Transmission of wastewater through the City owned sewerage system (cost per m ³)	\$0.11	\$0.07	62.0%	\$0.18
Service calls for investigating and releasing of plugged sewer	\$212.20	\$21.22	10.0%	\$233.42
Land Drainage monthly rate (per m ²)	\$0.021426	\$0.00	20.9%	\$0.025898
Hauled Wastewater				
per axle	\$14.65	\$0.39	2.7%	\$15.04
With Settleable solids > 100ml/L	Double			Double
Application Fees				
Permit to Release	\$316.20	\$8.38	2.7%	\$324.58
Compliance Approval	\$316.20	\$8.38	2.7%	\$324.58
Records Search	\$97.92	\$2.59	2.7%	\$100.51
Application for Sewer Metering	\$250.00	\$0.00	0.0%	\$250.00
Application for Contributive Sewer Utility	\$250.00	\$0.00	0.0%	\$250.00
Application for Reduction in LDU Intensity Factor	\$250.00	\$0.00	0.0%	\$250.00
Surface Drainage - Bylaw 11501				
Lot Grading Inspection Fees				
Single detached	\$120.00	\$10.00	8.3%	\$130.00
Semi-detached	\$120/u	\$10.00	8.3%	\$130/u
Multiple family	\$200+\$50/u	\$20.00	10.0%	\$220+\$55/u
Any other land use	\$200/ha	\$20.00	10.0%	\$220/ha
Sewers - Bylaw 9425				
Sanitary Sewer Trunk Charge				
Residential - 1-2 Dwellings	\$1,156.00	\$43.00	3.7%	\$1,199.00
Residential - Secondary/garage/garden Suites	\$512.00	\$19.00	3.7%	\$531.00
Residential - 3 or more Dwellings	\$826.00	\$31.00	3.8%	\$857.00
Commercial	\$5,782.00	\$217.00	3.8%	\$5,999.00
Industrial	\$5,782.00	\$217.00	3.8%	\$5,999.00
Institutional	\$5,782.00	\$217.00	3.8%	\$5,999.00