



CITY OF ST. ALBERT
ADMINISTRATIVE BACKGROUNDER

TITLE: POLICY UPDATES – PHASING OUT OF FEDERAL GRANT FUNDS (ie; GAS TAX)

On December 12, 2016 Mayor Crouse provided notice in accordance with Section 23 of Procedure Bylaw 35/2009 that s/he intended to bring forward the following motion:

That Policy C-FS-14 and any other policies and practices be revised such that allocation of the federal grant funds; (specifically gas tax) be phased out of utility model by December 2020 using a similar approach to MSI phase out.

BACKGROUND:

On September 22, 2014, Council approved the new Utility Fiscal Policy. Standard 1 of the policy speaks to a philosophy that utility operations shall be financially sustainable and operate on a “significant” cost-recovery basis. “Financially Sustainable” means that the ongoing full operating and capital costs of each utility business unit has a planned, adequate and dedicated source of funding through a utility rate structure.

To achieve this Standard, Council made the decision to phase out the allocation of MSI grants from the utility over a 5-year period to end in 2020.

On September 28, 2015 Council passed a motion to allocate back to the utility model access to Federal grants (the Federal Gas Tax) in amount equal to the past 10-year historical average use for utility projects. This average equated to \$987,000 annually.

Phase out of Federal Grants based on the direction in this motion would be as follows:

Federal Grants included in utility model:

| | |
|------|-----------|
| 2018 | \$494,000 |
| 2019 | \$493,000 |
| 2020 | \$0 |

By 2020 the impact to the overall utility rates at the end of the phase out is approximately \$3.68 /month or 2.5%.

If this motion is passed, an additional \$987,000 per year (after phase out) would be available for Municipal projects.

Report Date: April 24, 2017

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Committee/Department: Financial Services
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City Manager: Kevin Scoble