



CITY OF ST. ALBERT ADMINISTRATIVE BACKGROUNDER

TITLE: 2018 UTILITY CAPITAL CONTRIBUTION

On September 26, 2016 Councillor Hughes provided notice in accordance with Section 23 of Procedure Bylaw 22/2016 that she intended to bring forward the proposed motion below.

In order for Council to debate the motion, the motion must be formally moved.

That the 2018 utility capital contribution component is adjusted to reflect a 10 year capital plan that includes the 30% of the MSI funding allocation for utilities and bring to Council an amended utility model by the end of Q4 of 2017.

BACKGROUND:

Current policy C-FS-14 Utility Fiscal Policy speaks to the approved phase out of all MSI dollars from the utility model by 2020. The intent of removing MSI grant dollars from the utility model was to create a financially independent utility service.

Municipalities have limited ability to generate revenue such as property taxes, franchise fees, fees for services and grants. Utilities are a user based service and the City has the ability, through rates & fees, to fully recover the costs associated with providing this service directly to the users.

Also consider the issue that not all utility users are taxpayers. Allocating grant dollars to utilities, which could otherwise be used for municipal purposes, creates a situation where all utility ratepayers benefit from the reduced utility rates, however a marginally smaller group of taxpayers will ultimately be affected by future municipal capital deficits.

On the municipal side, the capital requirements under the 10 Year Growth and RMR Plan are currently forecasting a large capital deficit. The additional grant dollars that were being phased out of the utility model have been used as part of Administration's recommendation related to the funding of 2018 Municipal Capital Projects. Without these additional grant dollars available, the City will be in a position where recommended projects will need to be reduced in scope, delayed, cancelled, or funded through tax increases and/or debt financing.

Should this motion pass, the following impacts will present for the 2018 budget year:

1. With 2018 being the 4th year of the planned MSI phase out, the current utility rates presented within the budget package include the allocation of \$1.4M of

MSI for 2018 and \$0.7M for 2019. Increasing the overall MSI allocation to 30% would change the allocation to approximately \$3.5M/year. The estimated impact to utility rates would be a reduction of approximately \$12.49/month for a typical residential customer.

2. If MSI grants are redirected from Municipal capital to Utility capital, the immediate impact to the 2018 Municipal Capital Growth Plan would be an additional capital shortfall of \$2.0M (~\$34.0M over 10 year period).
3. Amendments to Council Policy C-FS-14 Utility Fiscal Policy and C-FS-05 Budget and Taxation Guiding Principles will be required.

Report Date: November 6, 2017

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Committee/Department: Financial Services

General Manager: Michelle Bonnici, GM of Corporate Services

City Manager: Kevin Scoble