

Additional Public Input

December 2, 2019

From: [REDACTED]
To: [Hearings](#)
Subject: MUC Submission for Public Hearing
Date: November 24, 2019 12:20:53 PM

Notice: This email originated from outside of the organization.

I provide the following brief submission containing my views regarding the proposed MUC.

I am fundamentally opposed to the concept of the City of Albert forming a MUC for the following reasons.

- 1) It is not the role of the City of St. Albert to branch off into business ventures. St Albert needs to be viewed as a community that attracts business vs being in competition with business.
- 2) Business ventures are better left to the private sector. Private sector is proven to be more efficient and effective. The fact the MUC will be a separate corporation bears no weight. It will still be Municipal/Government led, which sets a precedent for an inefficient and ineffective organization. Under a Municipal led organization there is a high risk this will be a money pit and/or result in escalating utility costs.
- 3) The MUC is being painted as a no-brainer lucrative business venture with all identified risks being easily mitigated. If it is so lucrative, why isn't there a flood of other private or public businesses jumping all over this with their proposals? If the private sector does develop some viable solutions, then the City should find a way to partner with them to have these services provided to St Albert.
- 4) The MUC may very well be a means for Council to grasp at straws to solve the perceived "Revenue" problem. It just masks the real problem Council is ignoring. That is, St Albert has a significant spending problem.

Going down the path of an MUC is a risky undertaking. I would encourage Council to give this some sober second thought and not proceed with this project.

Respectfully submitted,
Don Schneider

November 26, 2019

City Council
City of St. Albert
5 St. Anne Street
St. Albert Alberta

Dear Members of Council,

I have been asked by a few people to provide Council with some feedback regarding the potential of the City establishing a Municipal Utility Corporation (MUC). Therefore, please accept this letter as my input to the Public Hearing regarding the establishment of a MUC scheduled for December 2, 2019.

I commend Council and the Administration for researching possible ways to diversify the City of St. Albert's revenue opportunities. Given the structure of taxation in Canada, municipalities are in a very difficult position to provide the magnitude and level of services within their mandate with only property taxes, fees and grants from other levels of government to rely upon. If I remember right municipalities receive about 8% of all taxes collected in Canada. St. Albert, like most communities in the Province, have established Utility Business Units that operate at 100% cost recovery in order to provide water, sewer and solid waste management services. In the old days (1990's) solid waste was a municipal service (property tax funded) in St. Albert. In order to keep taxes down solid waste was changed to be part of the municipal utility service. The philosophy behind this basket of services has been that it is user pay and not a profit center for the municipality This Philosophy is something Council really needs to consider during its deliberations.

The following are some thoughts regarding various components of the MUC proposal. They are primarily questions you should ask yourselves or suggestions of what you might want to consider in your decision making process.

1. The MUC should be budgeted and operated in a 100% cost recovery fashion. This means that the MUC should establish and pay for its own, payroll, administration, lease or mortgage for offices, procurement services, human resource services, payroll support etc. This is above the big ticket items such as the infrastructure and assets of the new Corporation. The administration services and space needs could be purchased from the City so that the costs of the MUC are accurate and 100% transparent.
2. A major question that Council should ask itself is; why it needs a MUC to provide services that could be provided under a tradition municipal utility operation. For example the City has full authority to take over all solid waste services. (if it is financially advantageous) It could also pilot alternative methods of treating waste water or disposing of solid waste. Is there an advantage to leaving the Capital Region Waste Water Commission (CRWWC) or utilizing the Roseridge Landfill? I question how it would be financially advantageous for the City to delve into services such as the provision of water which Epcor provides to a good portion of north central Alberta.

Similarly, Waste Water is managed by the CRWWC which services around 300,000 people in the capital region. I don't believe the public reports provide adequate information to show how St. Albert could compete with these entities.

3. Selling inspection, water, sewer and solid waste maintenance and engineering consulting services is an area that the City may be able to build upon to create a profit center. The historic challenge for these services has been "municipalities should not compete with the private sector". Secondly, I question if the City should risk taxpayers dollars to see if we can compete with the private sector and profit from a service not traditionally seen as a government service. If Council decides to embark on this venture I believe it should minimize the investment/risk.
4. St. Albert has a huge challenge if it chooses to establish a MUC. If the new Corporation raises rates and then provides a dividend to the municipality, residents will see this as the proverbial "bait and switch". Much like the electric franchise fee. Therefore, the dividends should only be as a result of services sold to agencies other than the City or deferred costs to the City that are created by the benefit of the MUC.
5. In terms of the operating and capital budget I am curious if the City could establish the MUC and not be responsible for backstopping any borrowing or encumbrances created by the MUC.
6. I believe that under the Governance section of the report that the City will be responsible for the costs of the new Board and the new administration. I find this difficult to rationalize that these costs should come from the City and not the revenues of the MUC.
7. The report also shows that there is no legal ability for the MUC to collect delinquent funds. Under the City this cost can be recovered. How much is this annually and what risk does it expose.
8. I find it interesting that there isn't a successful example of a municipality that does not produce water, treat waste water and create electricity or natural gas in Alberta that has successfully established a MUC. It appears that the one southern Alberta community gave it a try and then reversed the decision.
9. If Council is going to move forward with this venture I recommend that before you do you establish a Task Force made up of experts that have the knowledge and experience of such a venture. This could be volunteer or paid. This was done when Servus Place had a significant deficit after its first year of operation and proved extremely successful.

Again, congratulations for looking for unique revenue opportunities but unfortunately, I do not see how establishing a MUC is worth the financial risk. If you have any questions please feel free to contact me.

Yours Truly,

Original Signed

Bill Holtby

From: [Kevin Scoble](#)
To: [Dianne Mason](#)
Subject: FW: The race is on to repurpose garbage
Date: November 29, 2019 10:03:24 AM

For public input.

Kevin Scoble

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From: Norm Harley <[REDACTED]>
Sent: November 28, 2019 6:37 PM
To: Mayor Cathy Heron <mayorheron@stalbert.ca>; Sheena Hughes <shughes@stalbert.ca>; Kevin Scoble <kscoble@stalbert.ca>
Subject: Fwd: The race is on to repurpose garbage

Notice: This email originated from outside of the organization.

If you are not aware, Roman is the world renowned expert on this subject. If you don't heed his advise, it's at your peril..

Norm Harley
St. Albert

Recent most relevant, highly informative article – suggested reading before public hearings meeting on MUC and any discussions on Waste-to-Energy.

Considerable mention of Enerkem, and their executive

VP, [REDACTED] but the statement "[REDACTED] won't say whether his firm's approach is profitable", should raise some questions. To date, I have not been able to find any data on what the Edmonton plant processing rates and product production rates actually are, relative to design. And I recall, that the plant capital costs were appreciably higher than projected, and the plant took many years longer to build and commission (with periods of back-to-the pilot plant) than projected, to achieve whatever point it is currently at.

Another quote in this article, by the president of a solid waste management consulting firm: "It's too early to tell if the first generation of commercial-scale gasification plants will be successful".

In view of the above, plus the accounts of the vast amounts of dollars spent and lost by others, companies that folded, etc., - albeit with some apparent successes - what is there that would encourage anyone to think that St Albert has the personnel to do better than anyone else? If relevant technology exists, why are we obsessed why re-inventing the wheel?

Regretfully, I will be out of town for the hearings, but just wanted to share this with you, beforehand.

Article Title:

The race is on to repurpose garbage

Published:

November 20, 2019 Volume 97, Number 42, p. /magazine/97/09742

Article Location:

<https://cen.acs.org/business/biobased-chemicals/race-repurpose-garbage/97/i42>

From Chemical & Engineering News <http://cen.acs.org>

A service of the American Chemical Society.

From: [Mayor Cathy Heron](#)
To: [Legislative Services](#)
Subject: FW: Municipal Utility Corporation Comments
Date: November 29, 2019 12:00:56 PM
Attachments: [MUC Income Statement.pdf](#)
[Comments on the Proposed Municipal Utility Corporation.pdf](#)

For inclusion in the public hearing record

Regards,

Mayor Cathy Heron
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From: Andy & Maria [REDACTED]
Sent: November 28, 2019 4:17 PM
To: Mayor Cathy Heron <mayorheron@stalbert.ca>
Cc: Wes Brodhead <wbrodhead@stalbert.ca>; Jacquie Hansen <jhansen@stalbert.ca>; Sheena Hughes <shughes@stalbert.ca>; Natalie Joly <njoly@stalbert.ca>; Ken MacKay <kmackay@stalbert.ca>; Ray Watkins <rwatkins@stalbert.ca>; ahudson@stalbert.greatwest.ca; hlawson@stalbert.greatwest.ca
Subject: Municipal Utility Corporation Comments

Notice: This email originated from outside of the organization.

Hello Mayor Heron

Over the past few weeks I have read stories in the Gazette regarding the creation of a St. Albert Municipal Utility Corporation, and the potential future waste-to-energy project

I have reviewed the Grant Thornton LLP, report titled Municipal Utility Corporation Preliminary Business Plan that was made available on the City's website. As the Plan triggered many concerns surrounding both issues, I prepared the attached document to convey my thoughts and comments on both initiatives.

I hope you will consider the points that I have raised during Council deliberations.

Andy Keller
[REDACTED]

Municipal Utility Corporation, Preliminary Business Plan

Appendix E - Financial Statements (Scenario 3)
Income Statement

Item	2021 Opening	2021 Final	2022 F	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	2029 F	2030 F
Revenues											
Current Services											
Sale of Service	\$	41,153,000	42,288,500	43,494,500	44,875,100	46,123,300	47,496,900	48,949,000	50,485,600	51,981,684	53,485,860
New Services											
Sale of Service											
Waste to Energy and SSW	\$	-	671,656	724,978	-	426,176	444,187	462,350	482,290	503,164	525,016
SWM for Commercial and MF	\$	622,256	512,994	553,946	597,074	636,844	679,263	724,506	772,764	824,236	879,136
Inspection and Maintenance	\$	7,500	8,380	9,364	10,463	11,691	13,064	14,597	16,311	18,225	20,364
External Consulting and Operations	\$	987,000	987,000	987,000	987,000	987,000	987,000	987,000	987,000	987,000	987,000
External Grants	\$	94,913	94,913	94,913	94,913	94,913	94,913	94,913	94,913	94,913	94,913
Interest Income	\$	-	-	-	-	-	-	-	-	-	-
Incremental Revenue Requirement	\$	43,282,750	44,604,395	45,907,829	47,386,853	49,167,001	50,672,285	52,264,719	53,952,571	55,590,672	57,288,419
Total Revenue	\$	30,566,442	31,102,737	32,196,675	33,364,655	34,495,677	35,462,638	36,750,239	38,118,179	39,283,450	40,487,107
Expenses											
Current Services											
New Services											
Cost of Sales	\$	659,452	716,739	803,865	830,646	1,100,493	1,172,416	1,246,355	1,325,522	1,402,340	1,491,509
Salaries, Wages & Benefits	\$	172,500	175,226	227,994	180,806	247,546	251,457	255,430	259,466	263,566	267,730
Maintenance Costs	\$	21,834	23,312	44,904	26,479	31,239	33,099	35,058	37,119	39,358	41,734
Other Indirect Costs	\$	1,161,887	1,180,245	1,198,893	1,217,836	1,237,077	1,256,623	1,276,478	1,296,646	1,317,133	1,337,944
Admin and Board	\$	1	1	1	1	120,000	122,400	124,848	127,345	129,892	132,490
Office Lease	\$	1,254	1,274	1,294	1,314	1,335	1,356	1,377	1,399	1,421	1,444
Other Transition Costs	\$	32,583,370	33,199,534	34,473,626	35,621,737	37,294,897	38,362,502	39,753,285	41,230,180	42,502,683	43,826,516
Operating Expenses	\$	10,699,380	11,404,861	11,434,203	11,765,116	11,872,104	12,309,783	12,511,434	12,722,391	13,087,989	13,461,903
Operating Income	\$	19,867,062	19,697,876	20,762,472	21,599,539	22,623,573	23,152,855	24,238,805	25,392,789	26,795,461	27,025,204
Miscellaneous											
Depreciation	\$	1,116,767	2,322,859	3,010,315	3,396,822	3,561,846	3,776,085	3,970,634	4,299,230	4,299,230	4,299,230
Amortization of Environmental Liability	\$	-58,602	-58,143	-57,688	-57,236	-56,788	-56,344	-55,903	-55,465	-55,031	-54,600
Interest	\$	579,269	1,209,979	1,739,769	2,026,317	2,145,692	2,190,413	2,238,187	2,271,783	2,240,215	2,146,546
Interest on Notes Payable	\$	-	-	-	-	-	-	-	-	-	-
Dividends Declared	\$	-	-	-	-	-	-	-	-	-	-
Miscellaneous	\$	1,637,434	3,474,695	4,692,396	5,365,903	5,650,750	5,910,154	6,152,918	6,515,548	6,484,414	6,391,176
Total Expenses	\$	34,220,804	36,674,229	39,166,022	40,987,640	42,945,647	44,272,656	45,906,203	47,745,728	48,987,097	50,217,692
Net Income (before dividends)	\$	9,061,946	7,930,166	6,741,807	6,399,213	6,221,354	6,399,629	6,358,516	6,206,843	6,603,575	7,070,727

Proposed Municipal Utility Corporation Comments

In late October, Council received a report from Grant Thornton LLP, titled Municipal Utility Corporation Preliminary Business Plan; October 28th, 2019 outlining the business case for the creation of a St. Albert Municipal Utility Corporation (MUC). The redacted report, excluding Appendix F, was made available on the City's website in mid November.

I reviewed the report - specifically any details pertaining to the preferred Scenario 3 – and prepared the following summary listing questions and highlighting areas of concern.

Note: Many of the Business Plan document page numbers appearing on the bottom rhs of each page are indiscernible. The page numbers appearing in this document refer to the page number of the electronic pdf file downloaded from the City website. The total number of pages in the pdf file is 37.

1. Financial Analysis

In general, the report does not contain sufficient information to assess the completeness and accuracy of the analysis. According to Grant Thornton much of the quantitative information was provided by the Administration.

Income Statement

To be able to take a closer look at the numbers for Scenario 3, I recreated the Income Statement as an Excel file (see attached). I then proceeded to examine Revenues and Expenses.

- The revenue entries attributed to the Waste-to-Energy project require clarification.

While Revenues appearing in the Statement for the period from 2025 to 2030 are \$2.84 million, the Business Plan, on Page 16/37 (pdf), 3 Financial Resources; states that "...On the basis of the financial projections, Waste to Energy and Wastewater treatment plants would collectively have negative net income for the first five (5) years (assumed:2025-2030)."

This is reinforced in an article in St. Albert Gazette in late October (<https://www.stalberttoday.ca/local-news/utility-corp-business-case-discussed-in-camera-1776120>) where City's Kate Polkovsky was to have said in an interview that waste-to-energy does not play a large role in any of the scenarios presented in the MUC's business case and that it is not a revenue generator.

If the Waste-to-Energy project does not generate any revenue, why is it even included in the business case analysis?

- Under Revenues from New Services, the Income Statement includes an item called “External Grants”; this \$987,000 annual payment makes a huge difference to Total Revenues. There was no explanation provided in the body of the report on the source or nature of this grant. Please explain.
- Also under Revenues from New Services, please indicate the nature of the monthly interest payment (\$94,913) and confirm it is attributable entirely to New Services, Revenues.
- Based on the Revenues and Expenses for New Services shown in the Income Statement, the average Operating Income from 2021 to 2030 is less than \$280,000 per year. It’s certainly not enough to cover the dividend!

As a general comment I would say that if this was a publicly owned, dividend paying company and I was contemplating investing in this business based on the income statement, I wouldn’t do it. Investors look for good income growth and stable dividends. This business model shows me that this company’s total net income, and therefore dividends are declining.

Balance Sheet

- Referring to Current Assets, Cash; if there is a problem with the Cash Flow Statement yearend cash balances, that problem will reappear in the Current Assets, Cash entries (see below).
- Referring to Other & Long Term Liabilities, New Long Term Debt of MUC; since Scenario 3 does not involve a transfer of assets, what is the reason for the dramatic and rapid increase in debt from 2021 to 2024? This trend in turn is driving Total Liabilities to very high levels.
- How much of the increase in debt and liabilities is attributable to new infrastructure spending and how much arises from the New Services?

Cash Flow

- Numbers in the Cash Flow from Operations don’t add up. Starting with 2021, it appears that the Change in Cash and end of year cash balance throughout the 10-year period is overstated by at least \$5.1 million. This error means that the Current Cash amounts shown in the Balance Sheet are also incorrect.
- Since the City is looking at dividends as a new revenue stream to fund capital projects, with dividends declining, how will that affect the City’s ability to predict the dividend at budget time.

2. Business Plan Document

I took the time to review Grant Thornton's MUC Preliminary Business Plan, and below you find a few general comments and questions about the Plan.

- Page 16/37 (pdf), 2. MUC Reputation Among Residents states: "An internal analysis for developing a MUC will be incomplete without accounting for the perception of such a corporation among the residents. As residents are one of the most significant stakeholders of any City, it would be critical to take into consideration the perception of the residents before incorporating an MUC." In my opinion, Council's decision to move forward with the creation of the MUC has not been widely publicized, and I believe most of St. Albert's residents are not aware of this initiative. There has been a complete lack of consultation in what I believe, is one of, if not the most significant decision taken by Council in St. Albert's recent history.
- Page 17/37 (pdf), Financial Strength: "The City has large reserves to fund projected capital expenditure of the Utilities in a Status Quo scenario over the next 10 (ten) years. This would remain Status Quo should the Council passes a resolution to incorporate the MUC. However, the City would be required to fund additional costs e.g. Board and Administration costs, capital expenditure for implementing new services." Up to this point in time the Utility's large reserve account precluded the need to draw on additional funding from utility customers to fund new infrastructure. How will the need for additional funds in the mid to long term affect St. Albert households?
- Page 21/37 (pdf), Brief Marketing Plan: the consultant states that "... prices for the new services should be competitive prices especially for services where the by-laws do not grant the MUC any exclusivity to offer the respective services." That's a good thing. However this statement implicitly suggests gouging customers if they do not have choice of service providers.
- Page 29/37 (pdf) Appendix C – Business Plan Assumptions, Line 20 states: "The company is exempt from Income Taxes as long as it is municipally owned and the revenue earned outside its geographical boundaries from non-municipal customers does not exceed 10% of net income before dividends." The Business Case financials make no mention of income taxes. How will future net income be affected by income taxes?
- Page 29/37 (pdf) Appendix C – Business Plan Assumptions, Line 21 states "Dividends will be paid to the City in full during the fiscal year immediately following the year in which they are declared." That means the first dividend will be paid in 2022, not 2021.
- Page 31/37 (pdf) Appendix D, Waste to Energy Capital Expenditure is estimated at \$1.2 Million. Based on recent disclosure that the City will be spending \$1.0 million on the waste-to-energy pilot, the amount allowed in the capital cost estimates for a permanent gasifier including civil works, structure(s), materials handling system and an add-on power generation module seems very low.

Also, the amortization period for the gasifier is given as 25 years. Given the gasifier's extreme operating temperatures is it reasonable to expect the unit will last 25 years!

The item that really struck a chord is on Page 28 (of 37) of the public pdf copy of the Business Plan. It deals with the Calculation to Determine Supplementary Capital Contribution, and states that:

“Supplementary Capital Contribution is an annual charge that changes every year based on the planned capital expenditure (capex) for the utility. The capex is primarily funded through accumulated reserves. However, for certain years, when the projected capex exceeds the amount of reserves, the incremental amount is funded through the Supplementary Capital Contribution rate which is calculated by equally dividing the projected incremental amount of capex (\$) by total number of accounts (#) projected for that year. The annual amount divided by 12 is the monthly supplementary capital contribution.”

It is clear that when reserves are insufficient, the required incremental amount will be funded by utility customers through the Supplementary Capital Contribution. St. Albert's utility customers already pay a Supplementary Capital Contribution which appears on everyone's utility bill for water and wastewater. We can assume that as time passes these amounts will increase. The question is how much?

3. Waste-to-Energy

Based on information appearing in St. Albert media, the City has selected a gasification process to convert St. Albert's household waste to energy. The Preliminary Business Plan suggests that the City is favouring a system that converts waste to electricity.

I am a retired professional engineer, and while I was not involved in the design and construction of waste-to-energy projects, I spent many years in the power industry, and I am familiar with this technology. Since no information is available on the type of gasifier and scope of auxiliary systems proposed by Administration, I cannot comment on the specifics of the proposal however I would like make a few general observations.

According to information in Appendix D, the gasifier is rated as follows

Waste Consumed:	8400 Tonnes / yr
Energy Production Rate:	600 kWh / Tonne
Revenue Realized from Energy Sales:	\$ 0.0279 / kWh

Based on this information, under ideal conditions the facility would generate approximately 5.04 million KWh of energy, valued at approximately \$140,000 per year. To put that into perspective, on the basis that an average Alberta power consumer uses 7,200 kWh of energy per year, you would have to process 12 T of waste to meet the energy of needs of one average household. Taking this one step further, the plant could theoretically meet the electricity needs of 700 homes or approximately 3.3% of St. Albert's households each year.

In the absence of information regarding plant outage frequency, process efficiency, parasitic energy losses, etc., this represents a conservatively high estimate of potential benefits.

These numbers however, should demonstrate why experts in this field say that for waste-to-energy projects to be profitable, they need “scale” or in other words, size. The most often quoted figure is 100,000 T of refuse processed per year, or approximately 12 times the size of the plant under consideration.

However, while increasing the throughput of the plant may improve the economics of the project, the greater the waste tonnage, the greater the potential for difficulties managing the quality of the fuel supply.

One of the biggest challenges for waste-to-energy facilities is the homogeneity or uniformity of municipal solid waste used to feed the gasifier. Given the source and nature of the fuel, the heat content of municipal waste is difficult to predict with accuracy, and is highly variable. Unfortunately, not all residents of St. Albert or any other community, diligently sort their garbage into piles of reusables, recyclables, hazardous waste, compostables, non biodegradables and all the rest. I am sure City workers have found all these materials in the brown bins.

Whether it's waste material composition, particle size, or moisture level, these factors will all impact the performance of the gasifier. There may also be variations due to change of season. Ideally all inert materials and hazardous waste should be removed. Some of the variability can be addressed through screening and drying, but such measures add to the cost of the project.

It is not known whether St. Albert's system will use any wood chips or other organic material to make the fuel more homogenous and improve overall fuel quality. Introduction of fillers, while increasing the output of the facility, would also increase the complexity of the MSF handling system, and project cost.

Gasification technology has been around for many years and has been applied successfully on installations using wood waste. However, there seem to be few examples of successful application of gasification on projects using municipal waste as fuel. It would have been instructive and helpful for Administration to have included examples of successfully operating waste-to-energy facilities comparable to the design and scale of the St. Albert facility.

On the other hand, there is no shortage of examples where gasification technology has failed to extract value and benefits from municipal waste. A quick Google search will reveal a long list of failures. The following paper highlights some of the issues and a sampling of failed projects, <https://www.no-burn.org/wp-content/uploads/Waste-Gasification-and-Pyrolysis-high-risk-low-yield-processes-march-2017.pdf>

This project is risky on many fronts and it is not clear from the Business Plan if these risks have been quantified. Given lingering concerns and questions about this project's technical and financial feasibility, I am not supportive of this initiative.

In conclusion, I hope you will take time to reflect and debate the concerns I have raised in my submission during Council deliberations.