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TAMRMS#: B06

Utility Corporation Considerations

Presented by: Kate Polkovsky, Director, Utilities and Environment

RECOMMENDATION(S)

1. That Request for Proposals to complete a comprehensive Business Plan and Market Analysis is awarded by the end of May 2019, contingent of funding approval by Council. The Business Plan and Market Analysis would be provided to Council by the end of Q3, 2019 for review and contemplated next steps.
2. That Administration commence partnership discussions with sub-regional partners on a waste-to-energy pilot scale operation commencing in Q3, 2019 and that a Request for Proposal for a pilot scale waste-to-energy plant, consisting of one-year operation and associated reporting, be awarded for end of June 2019 conditional of any required funding approval to support the program.
3. That Administration continue to evaluate broader alternative servicing technologies, consistent with the Corporate Business Plan, and prepare any required business cases for Council's investment consideration.
4. That Administration prepare a Municipal Utility Services Bylaw for Council's consideration no later than end of Q3, 2019.

PURPOSE OF REPORT

A major component of Administration's 2018 work plan was the examination of a Municipal Utility Corporation and possible waste-to-energy technologies that could be contemplated at a pilot scale to

support complete waste minimization.

This corporate project provided a holistic examination of the long-term support and ability to support the financial stability of the City. These considerations of providing what could be described as the “utility of the future” may have the potential to provide a long-term revenue source, position the City as a leader in waste minimization/reduction, and provide additional opportunities for environmental stewardship for the region.

ALIGNMENT TO PRIORITIES IN COUNCIL’S STRATEGIC PLAN

Strategic Priority #2: Economic Development: Enhance business/commercial growth.

- Employ Smart City strategies as an enabler for commerce sustainment and growth in investment

Strategic Priority #6: Environmental Stewardship: Explore innovative environmental and conservation opportunities.

- Explore integrated green utilities to reduce carbon footprint, reducing servicing costs and generate revenue.

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

N/A

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On February 4, 2019 Council passed the following motions:

(AR-19-100)

That the deadline extension for the following item be approved:

Time Extension Request - Business Case for Recommended Future Operating Model - Delivering Utility Services be extended from March 4, 2019 to the April 1, 2019 City Council meeting.

The following motion was approved on May 22, 2018:

(CM-18-031)

That Administration investigate the feasibility of delivering utility services including water distribution, wastewater collection, new wastewater treatment opportunities, solid waste collections and life cycle management and associated ancillary operation opportunities, such as heat and electricity generation and distribution, through a City of St. Albert owned municipal utility corporation and up to \$100,000 be funded from the Stabilization Reserve.

That Administration provide recommendations to Council in a comprehensive business case for the recommended future operating model for the services described by March 4, 2019.

BACKGROUND AND DISCUSSION

1. Current Situation and Mitigation Opportunity

Financial sustainability of municipalities is an ever increasing risk with declining revenue sources, increasing costs and tax- and rate-payer expectations to maintain or enhance services and service levels (often expanding beyond the traditional core services of municipalities). The current financial sustainability situation, across the country, is summarized well by the recent Strategy Corp report "Canadian Municipal Chief Administrative Officer Survey 2018 - A candid look at the issues on the minds of Canada's CAOs":

- While the responsibilities of municipalities may vary from one Provincial or Territorial jurisdiction to another, concerns about the municipal fiscal situation remain top of mind for CAOs. The revenue sources available to local governments are still narrowly based and often inadequate to meet the challenges of persistent service demands and maintaining, expanding and modernizing new and existing infrastructure. The mis-match between financial resources and service-delivery obligations can only accelerate as the new economy erodes traditional revenue sources, like business taxation and licensing fees."

St. Albert is more susceptible to financial sustainability issues than many communities with its elevated residential to non-residential tax ratio of 80% to 20%. For example, in 2018 a 2.4% tax increase for an average home in St. Albert represented an actual tax increase of \$83, while a 2.9% tax increase in Edmonton represented an actual tax increase of \$70, due to the difference in residential to non-residential tax ratios between the communities.

Current financial sustainability issues have been highlighted by recent Governance, Priorities and Finance Committee (GPFC) or Council Resolutions:

1. Rationalizing the 2020-2028 Growth Plan from \$411M to \$282M on February 11, 2019 at the GPFC meeting reduced the forecasted deficit from \$335M to \$206M
2. Addressing RMR funding deficiencies on March 11, 2019:
 - "That by Q2 2019, Administration develop options and recommendations for a detailed funding strategy related to RMR (Repair, Maintain, Replace) capital requirements that is designed to both close the current capital asset funding gap, as well as develop a sustainable capital funding solution for future years (then add in COSA RMR Report, Growth Capital, MSI impacts)."

The Capital Funding Strategy Agenda Report on March 11, 2019 highlights the City's past and current dependence on grants and recommends finding new strategies to reduce this dependency by the second quarter of 2019. The future of grants continues to be of concern with current uncertainty in funding from other levels of government highlighted by the current status of the Municipal Sustainability Initiative (MSI) Fund. MSI was a 10 year program, that commenced in 2007 and was extended to 2021-2022. The future of MSI replacement remains unknown and the issue is top of mind for the Alberta Urban Municipalities Association, noting it passed the following Extraordinary Resolution Class 3 in 2018:

- "IT IS THEREFORE RESOLVED THAT the AUMA advocate that the Government of Alberta legislate and index annual funding under the new infrastructure program as a fixed percentage of the province's total revenue excluding transfers from the federal government and that the annual funding amount be calculated based on the province's actual revenue from two years

prior.”

The City of St. Albert currently has a heavy reliance on MSI, at a current estimated allocation of approximately \$15M, with it representing approximately 50% of available capital funding. Current infrastructure needs related to RMR (Repair, Maintain, Replace) of current assets rely heavily on MSI and other grants to support approximately 60% of those requirements with the remaining available for desired growth projects. Any significant decreases in grant funding could eliminate opportunities for growth and jeopardize our ability to fund RMR. Administration is investigating multiple strategies to reduce this reliance.

Recognizing the current threats to maintaining sound financial sustainability of the City, while minimizing associated impacts to tax and rate-payers, over the past 10 months, Administration has undertaken significant research into the opportunity to utilize alternative servicing strategies to:

1. Reduce off-site servicing costs, which are amongst the highest in the region, to incent new development opportunities,
2. Identify new sources of non-traditional revenue, through the sales of services and commodities, to offset declining sources of traditional revenue, and
3. Stimulate new business growth in St. Albert, ultimately increasing the non-residential taxation revenue sources.

Reducing off-site servicing costs could increase St. Albert's competitive advantage for development in the region and could reduce initial frontending investment requirements by developers and/or the City to accelerate growth and/or reduce the required capital liability by both parties. Additionally, it would provide opportunities for innovation, development products that have reduced operational costs associated with their monthly utilities and consequently provide additional options for buyers to consider.

The intention of introducing a new revenue source, non-traditional revenue, from sales of services and commodities is to offset and/or surpass declining sources of traditional revenue, such as grants, to provide relief to both existing residential and existing non-residential taxpayers. Including new revenue opportunities would provide options for the City to consider as market conditions fluctuate, and funding requests are received. With any identified venture opportunity there is a substantial value in having the ability to expediently react to changing market conditions for the sale of a commodity to optimize capitalization.

Accelerating new business growth would result in further shifting of the tax split (80% residential to 20% non-residential) which is still amongst the highest ratios in the region, towards a lower ratio Goal of 70/30 or 65/35. The objective of shifting this ratio further is to reduce the tax burden to both the existing residential and non-residential sectors, without negative impact to existing businesses, through growth of new businesses.

In addition, changes in the global recycling market in the past two years, which have resulted in increased costs to maintain service levels for recycling in St. Albert, have provided the opportunity to re-balance waste minimization activities as highlighted in the 2019 Corporate Business Plan Update on March 4, 2019. The re-balancing strategy includes maximizing opportunities to reduce and reuse former recyclables through initiatives such as Extended Producer Responsibility advocacy, consideration of a single use minimization strategy, and continued education opportunities that are provided to the community. Former recyclables that cannot be reduced or reused can ultimately be

managed by waste recovery activities, such as waste-to-energy, to maintain waste diversion rates (anticipated to decline in 2019) with the ultimate objective of further reducing or eliminating St. Albert wastes being landfilled.

Currently the Utilities and Environment Department provides solid waste collection, water distribution, wastewater collection and stormwater management services to residential and commercial/industrial customers throughout the City, as well as environmental management and planning for the developed and Urban Reserve lands throughout the City. The City of St. Albert currently does not have water treatment, wastewater treatment, or solid waste diversion and disposal assets, other than a yard waste compost pad.

An Alternative Servicing Strategy is a different direction from traditional economy of scale utilities' management approaches employed in the region (regional water and wastewater plants with large diameter transmission pumps and pipes and regional solid waste management entailing longer haul distances). Alternative servicing opportunities provide flexibility during fluctuating markets, and if operated by a Municipal Utility Corporation provide opportunities for speed to market to capitalize on any prevalent opportunistic conditions.

Alternative Servicing entails a localized, de-centralized approach to management and recovery of Utilities' commodities and captures the resultant benefits not currently realized, including resale of recyclables, sale or utilization of heat, electricity and greenhouse gas credits from thermal treatment of municipal solid waste and treated effluent sales to offset potable water demand.

The major attraction of alternative servicing is a true sustainability approach. Past presentations have been provided to GPFC and Council on the overall sustainability (inclusive of economic, environmental and social) opportunities possible with alternative servicing. While this Agenda Report is primarily focused on the economic component of sustainability, the presentation to GPFC on September 10, 2018, "Alternative Servicing - Response to Recycling Issues," which has discussed Alternative Servicing in the broader context of sustainability is attached as a reference.

2. Technology

In response to prior Council direction on evaluating waste-to-energy and the emergent recycling issues, a waste-to-energy white paper was developed as part of Administration's work, examining prevalent technologies utilized in industry. This white paper is attached for reference.

Administration has completed a technology review and has been actively working with several technology providers who would be capable of supporting the City's waste-to energy-needs within the City framework.

Gasification systems are prevalent and relatively common overseas (due to the requirement to adapt to technology and maximize the complete waste triangle). The implementation of gasification, or more generally thermal processes to reduce waste, has been less common in North America due to the relative availability of land to utilize in landfill operations. As one result of this, the North American solid waste management sector is not currently well equipped to manage the global changes in the recycling marketplace.

Upon examination of technologies, the use and implementation of gasification options have evolved

over the last decade substantially to be more flexible to waste stream variability, moisture content and chemical composition. Additionally, systems are getting more “micro” in size and are completely enclosed. Through technology advancements the “micro” sizing of a waste to energy system can have applications to communities, such as the City of St. Albert who are optimizing the reduction and the re-use options without hindering those programs and utilizing the final residual components within a waste to energy facility and even in new subdivision development.

In terms of overall public utilities provision, the work-to-date has identified a number of opportunities and constraints that better define the scope of services and the types of technologies that could be employed to provide these services with a Municipal Utility Corporation (MUC).

A. Developed Areas

Developed areas with established water distribution and wastewater collection would continue with existing servicing via established infrastructure with St. Albert’s potable water received from Edmonton via EPCOR (noting the 20 year supply agreement recently executed after Council approval on March 4, 2019) and St. Albert’s wastewater would continue to be treated, via conveyance of force mains, by the Alberta Capital Regional Wastewater Commission, of which St. Albert is a member, at its wastewater treatment plant near Fort Saskatchewan. Similarly, stormwater management infrastructure is in place for developed areas with stormwater discharged to the Sturgeon River via outfalls. Given the current infrastructure performance, the infeasibility of installing parallel new infrastructure systems along side existing systems and the established cost-recovery system, alternative servicing for these public utilities in developed areas would not be pursued and costs are not expected to increase or decrease, relative to existing costs, outside of the existing cost recovery structure influences (e.g. inflation) for existing customers on these systems, consistent with the “user pays” philosophy of a utility structure.

St. Albert’s solid waste (refuse) and organics are currently hauled to the Roseridge Landfill, near Morinville, for disposal and composting, respectively. The landfill is operated by the Roseridge Waste Management Services Commission, of which St. Albert is not a member. Curbside recycling is collected by a third-party contractor, which operates in the broader Edmonton Region, and it is taken to a Material Recycling Facility for processing where the recyclables are sorted, consolidated by type, and shipped to the marketplace for recycling into new products. Currently St. Albert does not receive direct revenue from the sale of its recyclables, the revenue is factored into the third-party contractor services agreement for collection.

The solid waste management process for developed areas is readily convertible to waste-to-energy. Initially, current brown bin waste (including former recyclables that are now non-recyclable) could be processed in a waste-to-energy system. Additional readily available biomass from the natural carbon cycle (e.g. food waste, yard waste, biosolids), that is non-fossil fuel derived, would be required to be co-fed for energy value to generate sufficient heat and electricity. Over time, former recyclables could be removed from the feedstock as reduce and reuse opportunities are investigated under the current Corporate Business Plan Activity and future direction is given by Council by bylaw or policy. In the interim, these former recyclable products will be responsibly managed to produce energy and diverted from landfilling to re-establish an upward trend in the community’s waste diversion rates. A pilot scale implementation would be appropriate to fully understand feedstocks and associated menu planning for optimal performance and to understand logistics and costs, with minimal investment risk prior to proceeding with full-scale implementation. Heat and electricity generated could be utilized in aquaponics operations to make produce for sale in the marketplace (noting a portion could be

provided free-of-charge to the social profit sector), both in the pilot- and potentially in full-scale implementation, unless other opportunities to utilize the energy, such as a new development nearby, arise. A pilot-scale and full-scale operation could be sited either on existing City of St. Albert land or in partnership with other municipalities at a central site on a sub-regional basis. Regardless of the site selection, a central or “base load” facility will always be required for St. Albert’s developed areas, as opposed to smaller, de-centralized sites located in areas to be developed, which will be discussed in the next section.

Retrofitting existing developed areas with alternative servicing is not feasible unless an area is under broad revitalization. If a broader area was to be re-developed, such as the downtown area under the Downtown Area Revitalization Program (DARP), incorporation of alternative servicing could be considered. As examples, Calgary, Edmonton, Prince George and Yellowknife have district energy as part of the downtown re-development activities. Throughout Canada there are a myriad of district energy systems in place providing support to “campus-style” developments that function through a northern climate in both a private and public realm.

B. Undeveloped Areas

Alternative servicing is simpler and more feasible to implement in greenfield-type developments, compared to developed areas, incorporating it as the new infrastructure over traditional infrastructure at the time of installation.

Preliminary discussions have been had with local developers with some showing interest in further investigation of, and partnership in, alternative servicing in their developments. The preliminary discussions held entail developing net zero communities (inclusive of residential and non-residential properties). Net zero “ready” entails some key physical upgrades to increase the opportunity of a structure to generate energy, along with all of the standard features generally associated with a new home construction; energy efficient appliances, high grade insulations, energy efficient windows, low impact development landscaping, etc. Marketed net zero “ready” can be very attractive to the buyer as it generally shouldn’t represent a noticeable increase to the buyer. Generally many of the new homes constructed are very close to net zero “ready” and may only be missing a few features at this time. Net zero can be achieved when a developer holistically examines an overall subdivision and ensures that architectural restrictions are in place to ensure each home is constructed to a net zero level, as defined by a specific overarching body. With full net zero building, there is generally an increase that could be seen to the home buyer, but depending on the type of development, shared infrastructure and/or rebate options there can still be opportunities for these homes to be very affordable. The bigger challenge that developers see is a change in building type and limited marketing audience. Net positive buildings represent an increase capital expenditure to ensure that a positive value of energy is recaptured and invested in the “grid”.

If a net zero subdivision was contemplated, the district heating and cooling systems as well as any attributed solar farms could be provided by a utility corporation. The utility corporation would make the initial investment in the energy provision and supply infrastructure. The investment (and profit) would be recouped through the utility rate structure for customers on the systems, consistent with traditional utility practices in common use.

Localized green energy generation and supply infrastructure could include: waste-to-energy, sewer heat recovery, solar and geo-thermal; all available feasible energy sources would be employed with the opportunity to export excess energy from the development for additional revenue generation.

Local heating and electricity supply would be the outputs of the green energy generation. The energy would be utilized in local grid delivery systems.

As discussed, one of the goals of alternative servicing is to reduce off-site servicing costs and becoming optimized stewards of the environment. In addition to local energy generation and its resultant new revenue, local wastewater treatment presents opportunity to reduce off-site servicing costs, both for water and sewer provision. Smaller scale local wastewater treatment plants with small diameter effluent lines costs have been shown to be more economical than large diameter force mains and associated pumps conveying wastewater large distances to large-scale centralized wastewater treatment plants. Local wastewater treatment also produces a valuable commodity, treated effluent or “purple water.” While in the past, Alberta has been lagging in purple water use due to its natural water supplies, the issue is becoming more prevalent with climate change and growth. Other communities that have experienced these issues sooner include:

- Orange County, which mixes purple water with aquifer water for domestic supply after treatment,
- Denver, which utilizes purple water for agriculture irrigation, and
- Singapore, which utilizes purple water for domestic consumption for 30% of the nation’s water needs.

Approximately 15% of the total water demand in a commercial facility is potable water. The remaining demand, 85%, can be met with purple water for applications such as utility water. The resultant opportunities of purple water utilization are two-fold: reduction in potable water and wastewater off-site piping requirements, reducing servicing costs and new revenue generation from purple water sales. Finally, purple water can be used as the heat carrier from local green energy sources discussed in a local district energy system for net zero development.

3. Municipal Utility Corporation (MUC)

A Municipal Utilities Corporation (MUC), wholly owned by the City of St. Albert, is an option allowed under the *Municipal Government Act*, provided all the requirements set out in the Act and associated Regulations are met. This is discussed in further detail in the Legal/Risk section of this Report, below.

The City of St. Albert will be the single owner and sole shareholder upon incorporation and adoption of a Unanimous Shareholder Agreement as required by regulation. The Corporation will be governed by an independent Board of Directors appointed by City Council. Although Council would not be involved in the day-to-day operation, as the representative of the sole shareholder it would continue to provide final approval of the Corporation’s annual business plan, capital budget, performance standards and level of service similar to the functioning of the approval of both operating and capital budget as it pertains to these service areas. City Council will continue to act as the regulator in setting and approving proposed service, rates and standards that affect the residents throughout the City. The Corporation will provide services and receive compensation from the City for the costs of providing the services, which would be stipulated in a master service agreement.

Municipal, provincial and federal governments have successfully created wholly owned organizations and crown corporations like the proposed Corporation to deliver many services throughout the country. Municipally owned and controlled utility corporations operating in Alberta include EPCOR (Edmonton), Enmax (Calgary), Aquatera (Grand Prairie region) and Chestermere Utilities Inc

(Chestermere).

A generalized summary of the role of the Corporation and the Municipality are included as an attachment.

The City's long-range plan to manage growth responsibility is set in the Municipal Development Plan (MDP) which incorporates the City's vision for a balanced growth while supporting the Pillars of Sustainability. The growth of the City's infrastructure would be planned to support these long-term community vision documents completed by the municipality. The MUC would ensure that infrastructure and operations personnel are available to support the agreed upon level of services to the planned redevelopment and growth throughout the City.

A complete business plan for the MUC is required, both for future decisions by Council and to meet mandatory provincial requirements. In addition to the mandatory components of the business plan, some of the key aspects that will be reviewed further include:

- Generation potential for new sustainable income from the provision of services to new customers through innovative service agreements and partnerships; symbiotic partnerships with the development community and other utility providers are anticipated to accelerate and enhance the service offerings.
- Local economic diversification providing new business and new local employment opportunities (such as greenhouse operations, aquaponics, related manufacturing and production facilities from byproducts, new true eco-industrial business parks enabled with servicing cost reduction and brand association).
- Implementation of green practices and operations on a city-wide basis with the resultant potential for positive impact on carbon footprint, waste diversion, efficient use of renewable energy, water conservation and enhanced water quality, as well as new core service offerings (e.g. servicing onsite private infrastructure) will ensure environmental standards are met or exceeded
- Furthering research, knowledge and application of technologies, combined technologies and business models abroad, through investigating opportunities for mutually beneficial partnerships with post-secondary institutions to take the lead role on exporting information for their revenue generation on a broader scale,
- Identifying enhanced career opportunities and paths for employees for attraction and retention, while providing choice to existing employees to take these opportunities or continue providing core municipal services, also to be provided by the corporation.
- Responsive service provision - by having a service provider solely focused on municipal services, distinct from the City and apart from being one of the many City departments, the Corporation will be better positioned to respond in an expedient manner and make better decisions regarding operations and service delivery leading to enhanced operations throughout the City.
- Responsive reaction to market opportunities - by operating revenue generating initiatives within a MUC, the corporation can respond to opportunities within the market in an expedited

manner and is less limited by restrictive processes within the Municipal structure.

4. Implementation

Based on the analysis presented in the comprehensive business case set out in this Agenda Report, Administration is recommending the following implementation plan, noting that some of the subsequent activities are dependent on future Council decisions at various key “gates” in the process (i.e. “go/no go” decisions - the implementation steps are meant to be illustrative of the activities required and the timelines involved should Council direction to continue at all “gates” be received):

A. Municipal Utility Corporation

1. Administration prepares a Municipal Utility Services Bylaw for Council’s consideration no later than the end of Q3, 2019
2. Administration prepares a business plan for the establishment of a Municipal Utility Corporation no later than the end of Q3, 2019 and provides it to Council for review. In compliance with the *Municipal Government Act*, the business plan presented to Council will address the following topics:
 - (a) Costs related to establishing and controlling the corporation;
 - (b) Value of any assets to be transferred from the City to the corporation;
 - (c) Cash flow projection for the next 3 years of the corporation’s operations;
 - (d) The services the corporation intends to provide;
 - (e) The geographic locations (inside and outside Alberta) where the corporation intends to provide services;
 - (f) Any potential environmental, financial, labor or other liability risk to the City in controlling the corporation;
 - (g) Information demonstrating that the corporation will not be dependent upon the City for its ongoing operations;
 - (h) The impact of controlling the corporation on the City’s financial viability;
 - (i) A projected rate structure;
 - (j) A market impact analysis if the City’s control of the corporation would result in competition with similar services provided by the private sector.
3. Council holds a public hearing into the establishment of a Municipal Utility Corporation no later than the end of Q4, 2019; Administration prepares an accompanying Agenda Report with all information required under regulation to be provided to the public and with all necessary resolutions to establish a Municipal Utility Corporation for Council’s consideration following closure of the public hearing.
4. If Council passes a resolution to establish a Municipal Utility Corporation following the public hearing, the CAO submits notification to the Minister of Municipal Affairs no later than 60 days after the resolution.
5. Administration then instructs legal counsel to create a corporate entity or designate a pre-

existing corporate entity to become the Municipal Utility Corporation and to prepare all necessary corporate documents, including agreements (e.g. master service agreement with the City, unanimous shareholder agreement) and bylaw and policy amendments no later than the end of Q2, 2020 for Council's consideration.

6. Administration completes any necessary service level agreements (e.g. support services, mobile equipment leases) by the end of Q3, 2020 for incorporation into the proposed operating budget.
7. Administration completes proposed MUC capital, operating and consolidated budgets for inclusion into the annual City budget process by the end of Q3, 2020.
8. Administration prepares a Board Recruitment package for Council by the end of Q3, 2020.
9. Council appoints Board Members by the end of Q4, 2020.
10. Council appoints a Chief Executive Officer for the MUC by the end of Q1, 2021.
11. MUC Operations commence in Q2, 2021 with the transfer of City staff to the MUC.

B. Technology

1. Administration commences partnership discussions with sub-regional partners on a waste-to-energy pilot scale operation commencing in Q3, 2019.
2. Administration issues a Request-for-Proposal (RFP) for waste-to energy technology for pilot-scale operation by the end of May, 2019 with award by the end of June, 2019. The RFP will be conditional upon Council approval of funds to undertake the pilot-scale trial. The funds required will be dependent upon any sub-regional partnerships realized (which will factor into project siting) and any grant opportunities (both available to the private partners and grants available to municipalities). The RFP will stipulate the pilot-scale trial is to be mutually beneficial and that a capital procurement will not be made to minimize municipal risk in the project on the premise that the successful vendor seeks an opportunity to demonstrate its technology in a step to full-scale commercialization and the City of St. Albert (and any municipal partners), wishes to evaluate the feasibility of the technology and accompanying logistics for full-scale implementation. The overall goal of the pilot-scale project is to assess waste-to-energy feasibility for the City of St. Albert while minimizing, and potentially sharing, risk in the project with no longer term commitments or sunk capital at conclusion of the pilot project.
3. The duration of the pilot scale project will be until the end of Q3, 2020.
4. The capital and operating costs to scale up to full scale implementation will be included in the 2021 MUC Capital and Operating Budgets. Procurement of technology, regulatory approvals, partnerships and siting will be the responsibility of the MUC.
5. Administration will continue evaluation of broader alternative servicing technologies and opportunities consistent with the Corporate Business Plan. Should opportunities emerge in new developments, Administration will prepare a business case for Council's consideration on

the investment decision. Ultimate transfer of assets to a MUC, should it be formed, would be incorporated into the activities underway to establish and operationalize the MUC described in the previous section.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

Regular discussions with the St. Albert business community in general, and specifically with the development community, have taken place regarding Alternative Servicing and will be ongoing. The Economic Sustainability Advisory Board has been engaged and will be resourced for ongoing input in development of the business plan and implementation of the MUC if the recommendations presented for Council's consideration are approved.

A limited discussion with a utility provider about potential synergies has occurred. Additional discussions with utility providers on potential synergies and partnerships will be held as part of the business plan development.

Input from Social Profit organizations has been solicited for opportunities for integration and mutual benefit and further discussions will be held.

If Council directs Administration to prepare a business plan, it will be presented as part of a required public hearing, which ensures the general public is engaged and has the opportunity to provide input for Council's consideration in its decision making.

Initial discussions have been held with CUPE Executive. Communication with CUPE Executive will be increased and ongoing through subsequent stages of the process.

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

There would be no immediate financial implications to the City in terms of the recommendations provided in the report. There is currently \$100,000 approved, (with limited expenditure to-date) for this project through a council motion however further funding may be required based on the resulting tender submissions on the RFP's for both the business case development and the pilot waste-to-energy project. If additional funding is required to proceed, a recommendation will be provided to Council for consideration. The financial projections and strategies related to the actual establishment and operation of a municipally owned utility corporation, as well as any startup costs would be developed and presented as part of the required business plan to satisfy the legislative requirements.

Legal / Risk:

The recent amendments to the *Municipal Government Act* and associated regulations, reduce timelines and simplify the process for the establishment of Municipal Controlled Corporations, such as a MUC. Most importantly, municipalities are no longer required to obtain provincial approval to control a corporation as was the case prior to the amendments. Instead, there are mandatory requirements set out in the MGA and the regulations. The requirements of the content of the business plan are set out above under the Implementation heading. At a more fundamental level the MGA now provides that a municipally controlled corporation must pass the following "legal tests":

- A municipality may establish a controlled corporation if it is satisfied that:
 - the controlled corporation will carry on business solely for one or more of these purposes
 - to foster the well-being of the environment;
 - to provide services, facilities or other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality;
 - to develop and maintain safe and viable communities; and
 - to work collaboratively with neighboring municipalities to plan, deliver and fund intermunicipal services.
 - the controlled corporation will provide a service or benefit to residents of the municipality, and
 - the profits and dividends of the controlled corporation will provide a direct benefit to the residents of the municipality.

Additionally, Council may wish to consider a bylaw restricting provision of utility services by others within St. Albert as permitted by the *Municipal Government Act*, s. 33.

Public utilities include:

- water or steam;
- sewage disposal;
- public transportation operated by or on behalf of the municipality;
- irrigation;
- drainage;
- fuel;
- electric power;
- heat;
- waste management; and
- residential and commercial street lighting.

Such a bylaw would not be drafted to be strictly prohibitive to other parties, but rather to provide opportunity for the City to determine if it desires to provide a utility service directly without allowing competition, or with a private sector partner, or simply obtain compensation from other parties in exchange for allowing them to provide the utility service as an exception to the City's otherwise exclusive right to do so. Any of these scenarios would afford the opportunity for new non-traditional revenue.

Program or Service:

No program and service reductions are anticipated with a Municipal Utility Corporation. The corporation would be responsible for delivering the services and service levels mandated by Council, which are not expected to decrease in scope, but instead increase in scope with new revenue generation opportunities. The only changes in existing services and service levels offered in the future and provided by the corporation would be at the direction of Council; the corporation would not have the authority to unilaterally change services and service levels, this would remain the purview of Council.

Organizational:

Should a municipal utility corporation be formed, some current municipal employees would become corporation employees. Salary and benefits of non-union employees transferring to the corporation would be equivalent or enhanced. Union employees transferring to the corporation would likewise receive the same or enhanced wages and benefits. For both groups of employees, continuity (i.e. seniority and pension plan) would be maintained where applicable based on precedents set with other municipal utility corporations, with no reduction in employee headcount from the existing department structure anticipated given the fact that current services and service levels will be maintained, unless Council directs otherwise.

Should Council direct the preparation of the business plan as required by regulation in order to establish control of a corporation, Administration would engage CUPE Executive as a partner in this process.

A component of the business plan preparation will be an analysis of “overhead” supports to the operational aspects of the corporation. An evaluation of transferring support personnel (e.g. Information Technology, Human Resources) to the corporation, establishing service level agreements between the City and the corporation for provision of these services by City employees or obtaining 3rd party support services will be considered.

If a corporation is formed, there will be limited inherent redundancy for key positions pertaining to governance and necessary independence (e.g. leadership (separate City CAO and Corporation CEO) and financial (differing CFOs)). An organizational structure for the utility corporation will be a component of the business plan.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

If Council were not to approve some or all of the recommendations, Administration would continue with its traditional solid waste management practices, focusing on opportunities to optimize reduce, reuse and recycle activities to work towards the goal of 75% waste diversion and ceasing work on waste recovery opportunities and alternative servicing opportunities for heat, electricity and effluent reuse. Additionally, Administration could examine opportunities to generate revenue within the current boundaries by expanding existing services offered. Administration would not undertake any additional work on a municipal utility corporation, including preparation of a business plan.

Report Date: April 1, 2019

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