

Department:
Public Works & Engineering

Section:
UT – Utilities

UT-05 Utility Fiscal Policy

Policy Statement

The *County* recognizes the need for a fiscally responsible, self-sustaining *Utility* that manages rate increases and produces financial stability while ensuring sufficient funding for capital projects at the most economical cost to the *Utility* customers.

Definitions

Capital Repair and Replacement Reserve: means reserve funds that will be used to fund budgeted or unforeseen capital projects related to facility and equipment repair and/or replacement.

Capital Plan: means a *Utility* plan, usually one to ten years, which identifies capital projects and equipment purchases, provides a planning schedule and identifies options for financing the plan.

County: means the municipal district of Leduc County in Alberta.

Customer Classes: means general *Utility* customer groups that are unique when compared to other *Utility* customer groups in terms of service delivery, level of service provided to them, and/or infrastructure needed to support the group.

Operating Rate Stabilization Reserve: means reserve funds used to mitigate the impact of rate increases within the annual operating budget and for stabilizing unbudgeted impacts resulting from unanticipated events.

Operating Repair and Replacement Reserve: means reserve funds used to fund either budgeted or unforeseen facility or equipment repair and/or replacement.

Policy: means the Leduc County Utility Fiscal Policy.

Utility: means a water or wastewater utility within Leduc County jurisdiction as set out in *County* bylaws.

Policy Authority/Responsibility

The Director of Public Works and Engineering, in consultation with the Director of Finance, shall:

1. Recommend annually to Council the *Utility* rates for the upcoming year, based on a 3-year planning horizon.
2. Provide Council with the recommended capital and reserve contribution amounts.
3. Develop a *Capital Plan* for Utilities.
4. Maintain and update this policy and ensure that the appropriate resources are available to meet the service levels.

Council is responsible for reviewing and approving:

- a. Utility rates every year.
- b. All utility capital projects.
- c. All contributions to reserve accounts.

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The Manager of Utilities is responsible for ensuring that the appropriate staff adheres to this policy and assisting the Director in developing the budgets, rates, and *Capital Plan*.

Leduc County *Utility* staff is responsible to be aware of and follow the Policy.

Utility Fiscal Standards:

Utility rate model shall:

1. Comply with the Utility Governance Policy.
2. Be based on user-pay methodology whereby the customer pays the cost of owning and operating the *Utility*.
3. Adhere to *County* Council strategic messages based on *County* rate setting objectives.
4. Manage rate increases by developing, at a minimum, a three year incremental rate plan based on a three or more year budget forecast.
5. Include reserve allocations as set out in the Financial Reserves Policy for the:
 - a. *Operating Rate Stabilization Reserves*
 - b. *Operating Repair and Replacement Reserves*
 - c. *Capital Repair and Replacement Reserves*
6. Consider alternative revenue streams including grant funding.
7. Be operated financially as a single water *Utility* and a single wastewater *Utility* using a cost-based approach for different *Customer Classes* and where appropriate, apply separate rate structures to the different *Customer Classes*.
8. Ensure funding available to meet or exceed regulatory requirements and adequately maintain and replace *Utility* infrastructure.

Utilities Department and Finance Department shall:

1. Track and maintain the following financial Key Performance Indicators (KPIs):
 - a. Maintain adequate reserves for:
 - i. *Operating Rate Stabilization Reserves*
 - ii. *Operating Repair and Replacement Reserves*
 - iii. *Capital Repair and Replacement Reserves*
 - b. Review *Utility* rate structure and rate setting priorities with Council every four years.
 - c. Present a three year rate plan to Council annually during budget deliberations.
2. Shall include County direct and indirect costs to the extent that they are reasonably tracked.

Monitoring & Updating

This *Policy* will be reviewed every four years.

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