



Council Policy C47

UTILITY FISCAL POLICY

Approved by Council Resolution # 21/05/11

1. PURPOSE:

Ensure that the City's utility services are financially sustainable over the long term, remaining a self-funded enterprise with a consistent approach year over year for the financial planning, budgeting, and rate setting for the utilities.

2. POLICY STATEMENT:

It is the policy of the City of Beaumont to conduct the operation of the City's utility service in a prudent manner that will provide long term financial sustainability using a self-funded enterprise model, optimum investment returns with the maximum security while meeting the City's cash flow requirements and conforming to the *Municipal Government Act* and all other provincial statutes and regulations governing the investment of municipal funds.

3. GUIDING PRINCIPLES

Utility services are to be operated in a manner that balances the best possible service at the lowest cost while incorporating utility rate setting principles in establishing customer rates.

4. OPERATING PRINCIPLES

- Similar to private utilities, the City of Beaumont utility service will account for the cost of service under a full cost accounting approach.
- Utility services are able to access general government grants only through the completion of a business case that takes into account the overall needs of the community. If required, the allocation of grant funding to utility services will be based on prioritization of all City of Beaumont capital projects identified through the capital budget process.
- For utility provision of non-regulated services and where such services require significant capital investment and/or have net operating costs, a business case is to be prepared to inform funding decisions to be made by Council.

5. UTILITY RATE SETTING PRINCIPLES

- Customer rates will be stable and predictable year over year.
- Customer rates will be understandable, practical and cost-effective to implement.
- Customer rates will be based on the forecast cost of providing service and will fairly apportion the cost of service among different customer classes.
- Customer rates will promote the efficient use of resources and could be set to achieve broader social and environmental goals.
- Assessment of the forecast cost of providing service will take into account the longer-term nature of utility infrastructure being used to service customers by incorporating necessary short-term and long-term funding required to maintain and renew assets while maximizing asset value and longevity.

6. DEBT FINANCING PRINCIPLES

- The utility services will not utilize debt to finance operating expenditures.
- Debt will be considered for capital expenditures in:
 - projects with long-term benefits extending over one year;
 - major rehabilitation or upgrade of existing assets; and
 - emerging requirements to support corporate priorities and strategic plans.
- Debt will be utilized in an affordable manner where affordability is measured by the burden of debt servicing costs relative to revenues.

7. FINANCIAL PLANNING

- Budget and financial planning will incorporate industry best practices and will follow the general principles of budget, long range planning, and management of capital assets as established by the City of Beaumont.
- Administration shall recommend to Council the customer rates for the upcoming year, based on a 10-year planning horizon with budgets that are prepared based on current year forecast, business plan implementation, and financial sustainability.

8. DEFINITIONS

Full Cost Accounting - shall include cost allocation for services provided by other City of Beaumont departments and may include administration costs, and other internal services such as communications, human resources, information technology, financial services, facility maintenance, and general corporate overhead.

Utilities - any products, services and equipment related to energy, telecommunications, water and sewerage, storm water maintained or owned by the city currently or in the future.

9. SCOPE/APPLICATION:

The Director of Finance and the Director of Operations must adhere to this policy when budgeting and recommending customer rates for utility services.

10. AUTHORITY/RESPONSIBILITY TO IMPLEMENT

The Chief Administrative Officer is ultimately responsible and accountable for the control, management, and administration of the City's utility services in accordance with the utility fiscal policy approved by Council. The Chief Administrative Officer may delegate this responsibility.

The Director of Finance must ensure that the policy requirements are met and updated as required.

Policy Record

Adopted by Council: May 25, 2021

Council Resolution: # 21/05/11

Cross Reference: Bylaw, Previous Policy Resolution, Directive, MGA, FOIP

Administrative Responsibility: Director of Finance

Next Review Date: DATE