

June 15, 2010

Standing Committee on Community Services
c/o Jody Rempel, Committee Clerk
801 Legislature Annex
9718 107 Street
Edmonton, AB T5K 1E4

Dear Chair Doerksen and Committee Members,

On behalf of the Alberta Urban Municipalities Association (AUMA), I am pleased to provide input on Bill 203-*Municipal Government (Local Access and Franchise Fees) Amendment Act, 2010*. As an Association that represents 278 municipalities across the province, we are pleased to have this opportunity.

Bill 203 would impose a single formula on municipalities for the calculation of franchise fees and would also mean that municipalities would need to record the revenue collected from franchise fees as a separate line item in their financial statements. While AUMA does not object to transparency and accountability, our Association believes that the current franchise agreement system is both fair and accountable. Further, AUMA has some serious concerns about the impact of this Bill on municipal autonomy and flexibility.

Currently, under section 360 of the Municipal Government Act, municipalities have the authority to charge fees in lieu of property taxes for access to their lands to construct, maintain, and operate distribution systems. The MGA also details requirements on how fees will be determined, right to purchase utility infrastructure, and how renewals of franchise agreements are managed. This flexibility means that municipalities can govern their own unique circumstances.

Franchise fees are set and approved by municipal council as part of the budget process and advertised. Currently, most municipalities, approximately 80%, are using an Alberta Utilities Commission (AUC) approved franchise agreement template developed by the AUMA. When AUMA developed its original template agreement 10 years ago, a core set of guiding principles were followed. Franchise Agreements were the cornerstone of any franchisee-franchiser relationship and they were a contract that legally binds both parties to agreed upon terms. Utility franchise agreements are a solid business arrangement to specifically manage access to municipal right-of-ways by laying out the rights and obligations of each party in delivering utility services.

Part of the rationale for Bill 203 is that it will encourage a reduction in consumption since doing so will lead to a reduction in consumer fees; however, the problem is that franchise fees collected

are intended to support the necessary infrastructure. Energy reduction does not reduce infrastructure support costs.

Over the next 2 years, the franchise agreements that are currently in place will expire, so AUMA is now in the process of negotiating a new template with FortisAlberta and ATCO Electric. AUMA is using the AUC approved Hinton franchise agreement as its template. AUMA will use a consultative process with its members to obtain input on any proposed amendments to its template and will obtain AUC approval when it has completed amendments. While our Association feels that this is a fair and transparent process, it does not support legislation, such as Bill 203, that ultimately erodes municipal autonomy by enforcing a single prescriptive method that does not account for the diversity of Alberta's municipal governments. While a template has been a useful tool for many municipalities, our Association does not feel that a single model is in the best interest of municipal governments.

Bill 203 has a narrow focus and thus the proposed legislation is myopic and unbalanced. In addition to eroding municipal autonomy, Bill 203 removes municipalities' ability to offset any increase in costs through franchise fee revenues which means that budget shortages would then have to be addressed through increases in property tax, user fees, or cuts to services and programs.

In conclusion, AUMA does not support Bill 203. Our Association fully supports the intent of franchise agreements since these fees are used to support the building and maintenance of transportation systems within the municipality as most distribution systems are on these right-of-ways. Finally, AUMA would like the opportunity to make a presentation on Bill 203 should the Committee decide to hold presentations.

Sincerely,

Mayor Darren Aldous
AUMA President