

WASTE SERVICES 2022 RATE FILING AND FALL 2021 SUPPLEMENTAL BUDGET ADJUSTMENTS

RECOMMENDATION

That Utility Committee recommend to City Council:

1. That the amended 2022 Waste Services Operating Budget, with revenues of \$219.0 million and expenditures of \$206.2 million, as outlined in Attachment 1 of the December 9, 2021, City Operations report CO00823, be approved.
2. That the amendments to the 2022 Waste Services Capital Budget, with a net reduction of \$12.9 million, to the approved Waste Services 2019-2022 Capital Budget, as outlined in Attachment 3 of the December 9, 2021, City Operations report CO00823, be approved.

Report Purpose

Council decision required

Council is being asked to approve the Waste Services 2022 Rate Filing, including the amended Waste Services 2022 Operating Budget and amendments to the Waste Services 2022 Capital Budget.

Executive Summary

- The Waste Services 2022 Rate Filing (Attachment 1) recommends a zero per cent rate increase for 2022, with the exception of multi-unit transitional customer rates.
- Cart rates for the Edmonton Cart Rollout took effect on October 1, 2021.
- Proposed amendments to the Waste Services Operating Budget and Waste Services Capital Budget are part of managing revenues, expenditures and capital projects for the utility.
- Key initiatives and priorities for the 2022 to 2025 business planning cycle will allow Waste Services to contribute to the City of Edmonton's goal of Climate Resilience and the 90 per cent residential waste diversion goal established in the 25-year Waste Strategy and by City Council.

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REPORT

Waste Services is an essential part of The City Plan and key to enhancing sustainability while supporting Climate Resilience through innovation and partnership. The utility provides efficient and effective waste collection and drop-off services to over 250,000 single unit households and nearly 160,000 multi-unit households in the City of Edmonton. The goal of the utility is to demonstrate leadership and support and encourage residents, businesses and institutions to act as stewards of the environment. Programs and activities that promote waste prevention, waste reduction, reuse of materials and circular economy innovations through a Zero Waste Framework, will allow Waste Services to contribute to the City's Corporate Outcomes and reach goals established in the 25-year Waste Strategy.

In alignment with the Waste Services 2022-2025 Business Plan, Waste Services is working to deliver the following over the next four years:

- A single unit residential diversion rate of approximately 70 per cent by 2025.
- Implementation of actions from the Waste Reduction Roadmap to promote zero per cent growth in residential waste generation per person in Edmonton.
- Enhancement of the Corporate Three-stream Waste Program and alignment with other corporate utility management best practices.
- A mandatory source separation program for the multi-unit sector receiving communal collection.
- An Industrial, Commercial and Institutional sector program strategy.
- Service delivery transformation, focusing on efficiency, effectiveness, user experience and information technology to deliver stable and consistent utility rates.
- Enhanced asset optimization and innovation.

The Waste Services utility is well positioned for the transformational changes in the coming years as a result of the 25-year Waste Strategy. Stable and consistent utility rates remain a key goal with a focus on waste prevention and reduction initiatives and alignment to the Zero Waste Framework for all sectors in the City of Edmonton.

Operating Budget Adjustments

As the utility moves toward financial sustainability, achieving stable and consistent utility rates has been given a high priority. As defined in the Waste Services Utility Fiscal Policy C558B, utility rates are considered to be stable and consistent when the year over year change in rates is within plus or minus 2 per cent of the Consumer Price Index for the Edmonton metropolitan region. For 2022, the target will be achieved with a proposed zero per cent rate increase across all residential customer classes. To achieve this target, the utility will focus on service delivery transformations, the sale of waste byproducts, enhanced asset optimization and operational efficiencies.

As of September 3, 2021, approximately 250,000 single unit households have moved to a four stream program with separate food scraps collection, seasonal yard waste collection, recycling collection and garbage volume limits as part of the Edmonton Cart Rollout. On October 1, 2021,

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single unit curbside customers transitioned to variable waste rates based on their choice of garbage cart size to incentivize less waste production and give them greater control over their monthly payments. This is the largest service transformation for Waste Services in over 30 years.

Waste Services will also pursue opportunities to generate additional revenue through the sale of waste byproducts such as compost as well as lease revenue. Asset optimization will ensure asset service life is maximized, life cycle costs are minimized and value is realized for waste processing facilities, infrastructure assets and fleet assets. Operational efficiencies will also continue to be pursued. The proposed and forecasted years in the rate filing all meet the requirement of generating sufficient net income to cover operating expenses.

The recommended adjustments to the Waste Services 2022 Operating Budget are noted in Attachment 2.

Capital Plan

As part of the 25-year Waste Strategy and the 2022-2025 Business Plan, the utility has placed greater emphasis on delivering strategic program changes through focused prioritization and realignment of its capital plan. In an effort of continuous improvement and response to audit recommendations, significant improvements have been made in the capital program over the past few years. Aligned with the City's Project Development and Delivery Model (PDDM), a comprehensive branch program and project management process was developed and is utilized from project initiation, justification (business case development), prioritization, budget development and expenditure tracking, to project delivery and close-out. Emphasis is placed on ensuring sustainability and growth in assets, and to meet the regulatory requirements through proper program planning and delivery.

In the current capital plan, a total of \$161.5 million has been allocated to 16 capital profiles. This includes funding for the significant, multi-year, critical profiles such as Source Separated Organics, Facility and Infrastructure Construction and Upgrades and Vehicle and Equipment Replacement.

Moving forward, the Utility will continue to follow the developed best practices that appropriately balance growth, process efficiency improvements, rehabilitation and regulatory requirements. An asset management philosophy focused on safety, reliability and risk management has been incorporated into future capital planning by implementing a percentage of asset replacement value into the capital plan. This ensures proactive maintenance and repair based on asset condition assessment, safety, security and environmental requirements.

The following Waste Services Fall 2021 Supplemental Capital Budget Adjustments are recommended and are explained further in Attachment 3.

Recosting

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The Alberta Clean Energy Technology Accelerator (ACETA) is a previously approved profile, however it is a proposed budget adjustment to include additional grant funding along with title and profile wording changes. The original profile was titled “Advance Energy Research Facility (AERF) Upgrade” and is included for comparison purposes in Attachment 1 under Appendix B.

The Organics Processing Facilities profile was approved for cancellation by City Council on August 16, 2021. The actuals incurred of \$4.8 million will be written off as an operating expense and the full capital budget of \$13.8 million will be released.

Utility Rates

Waste Services is proposing a zero per cent rate increase for 2022, while continuing to deliver significant transformational changes. Starting on October 1, 2021, single unit curbside customers transitioned to variable waste rates based on the size of their garbage cart. The following table outlines the proposed monthly rates for 2022.

Residential Waste Collection Service	Current Monthly Rate (October 1 to December 1, 2021)	Proposed Monthly Rate (January 1 to December 31, 2022)	Monthly Change
Curbside 120L Garbage Cart	\$43.32	\$43.32	No change
Curbside 240L Garbage Cart	\$48.32	\$48.32	No change
Curbside 360L Garbage Cart*	\$58.32	\$58.32	No change
Communal Collection**	\$30.69	\$30.69	No change
Multi-unit Transition Rate 1	\$37.30	\$41.27	\$3.97
Multi-unit Transition Rate 2	\$34.00	\$37.74	\$3.74

*Available only to residents that meet unique requirements to qualify.

** Formerly titled “Residential Bin Collection.”

The variable cart rates provide financial incentives for customers who embrace waste reduction and waste sorting behaviours to reduce the amount of garbage they generate and help to achieve the City’s waste diversion targets. For 2022, the difference between the 120 litre rate and the 240 litre rate will be \$5 per month and the difference between the 240 litre rate and the 360 litre rate will be \$10 per month. The 360 litre cart is available to households that meet specific criteria including very large households and those generating non-hazardous home healthcare waste. The above rates are designed in alignment with the rate differential discussed in the City Council approved Single Unit Waste Set-out Business Case (August 29, 2019, City Operations Report CR_7173, Single Unit Waste Set-out Business Case). The differential pricing allows customers to determine the waste capacity they require, along with the financial flexibility associated with the variable rates.

Customers in the multi-unit sector receive either communal bin or cart collection. These customers typically consist of condominium and apartment units. The residential communal

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collection rate is set to remain at \$30.69 in 2022. The rate for customers who began transitioning from the residential communal collection rate to the residential curbside collection rate in 2020 will increase from \$37.30 in 2021 to \$41.27. The rate for customers who began transitioning from the residential communal collection rate to the residential curbside collection rate in 2021 will increase from \$34.00 in 2021 to \$37.74.

Utility rates are amended under Waste Services Bylaw 19919 - Waste Services Bylaw 18590, Amendment No. 5, and will be presented at the December 13, 2021, City Council budget meeting, to reflect the proposed monthly rates for residential customers effective January 1, 2022. Residents receive a variety of services with their waste utility rate as shown in Attachment 4.

COMMUNITY INSIGHT

Public engagement was not undertaken for this report. Extensive public engagement with residents and stakeholders was conducted for the approved 25-year Waste Strategy and Waste Reduction Roadmap. This previous input was used to support decision making and inform both operating and capital adjustments in the 2022 rate filing. The annual rate filing is standard operational practice for Waste Services that follows general budget principles established by the City of Edmonton and is in accordance with Waste Management Policy C527 and Waste Services Utility Fiscal Policy C558B.

GBA+

Waste Services follows a fair and consistent process based on financial needs of the utility to determine the rate structure necessary to ensure adequate service delivery. Administration is committed to maintaining stable and consistent utility rates over the next four years, has held a zero per cent increase in 2021 and is proposing a zero per cent increase in 2022.

As of October 1, 2021, residential households have the choice of two garbage cart sizes (120 Litre and 240 Litre). Monthly rates are based on the customer's choice of garbage cart size. The smaller cart incentivizes less waste production and gives residents some control over their monthly payments. Very large households and those generating non-hazardous home healthcare waste may be eligible to apply for a 360 Litre cart to meet their specific waste needs.

Waste Services also offers an assisted waste collection service to residents that have difficulty getting their recycling or waste to the curb or lane. This service is offered free of charge to eligible residents and allows for independent living to those with mobility challenges.

ATTACHMENTS

1. Waste Services 2022 Rate Filing
2. Recommended Waste Services Fall 2021 SOBA

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3. Recommended Waste Services Fall 2021 SCBA
4. Waste Rates Infographic