

Spring 2018 Waste Services Supplemental Capital Budget Adjustment

Recommendation

That Utility Committee recommend to the June 26, 2018, City Council meeting:

That amendments to the 2015-2018 Waste Services Capital Budget as set out in Attachment 2 of the June 8, 2018, City Operations report CR_5871, be approved.

Executive Summary

This report summarizes the recommendations for amendments to the 2015-2018 approved Waste Services Capital Budget. The Supplemental Capital Budget Adjustment report is integral to the multi-year budgeting approach, as it provides Council the opportunity to adjust the capital budget in response to changing project needs and priorities, and emerging issues.

Administration recommends closing the Landfill Capping and Revegetation profile (15-33-2030) to align with public sector accounting standards. Going forward, the project will be managed within the operating budget. In addition, \$2.7 million within the Waste Services capital program will be reallocated to the Anaerobic Digestion Facility (13-33-2023).

There will be no net funding increase required and no impact on utility rates as a result of these adjustments.

Report

The Spring 2018 Supplemental Capital Budget Adjustments include one profile budget reduction and budget transfers to reallocate funding for one profile.

Closure of Capital Profile in 2018

The Landfill Capping and Revegetation (15-33-2030) profile includes the capping of the Clover Bar Landfill and adding drainage, soil and vegetation in accordance with Alberta Environment and Parks' landfill post-closure requirements, with the objective of restoring the land to its natural state. Waste Services has allocated sufficient operating funds to manage the costs associated with this capital profile. This allocation was

established in accordance with Public Sector Accounting Board Section PS 3270. This section provides standards for accounting for and reporting the liability of closure and post-closure care of a solid waste landfill site in government financial statements.

Upon project completion, the Clover Bar Landfill will be restored to its original state, and no new asset will be created. Instead, the current liability associated with the site will be removed. As a result, the project will be classified as operating versus capital going forward.

This adjustment is related to financial reporting/compliance and does not impact project scope, funding source or financial position.

Recosting

In the fall of 2017, the Edmonton Composting Facility (ECF) was shut down because of structural challenges with the roof of the Aeration Hall. The ECF resumed seasonal operation in May 2018, and Administration is assessing the future of the ECF. The elements of the capital budget adjustment required for the Anaerobic Digestion Facility (ADF) are a result of the ECF challenges. While the long-term strategy for the ECF is developed, Administration is requesting \$2.7 million for the ADF (13-33-2023) profile to meet the operational requirements for the ADF to operate independently of the ECF.

Four elements are required to complete the ADF modifications:

1. Upgrade the Heating Ventilation and Air Conditioning (HVAC) system (\$950,000)
 - The ADF was designed to share biofilters with the ECF as a part of the pollution abatement equipment. Warm and moist air from the ECF Aeration Hall would blend with processed and general ventilation air from the ADF before being treated through the biofilters and released into the environment.
 - Now that the ECF is closed seasonally, the dry air from the ADF will not be sufficient to sustain the moisture content needed to operate the biofilters.
 - The HVAC upgrades will allow the biofilters to operate independent of ECF.
2. Return ADF power to the EPCOR grid (\$660,000)
 - Power generated from the ADF was designed to be used at the ECF. Given the ECF seasonal closure, other alternatives were assessed. It was concluded that returning the power to the grid is the most cost effective, with a payback period of four years.
3. Complete the biofilter (\$570,000)
 - The ADF biofilter construction was put on hold in 2017, when the future of the ECF was unknown. Now that the ECF will be open in the spring

and summer of 2018, the biofilter is needed to increase the overall biofilter capacity and meet the HVAC needs from both ECF and ADF operations.

4. Extension of ADF commissioning period to December 31, 2018 (\$550,000)
 - This time extension will facilitate sufficient commissioning and performance testing.

Waste Services considers the successful commissioning and functionality of the ADF a high priority; it is a pivotal piece in ensuring a higher proportion of organic waste is diverted from landfill.

The total cost of the profile is \$41.7 million, with the approval of this supplemental capital budget report. Administration expects the project will be substantially completed in Q2 2018 (originally Q1) and in service in fall 2018.

Recosting

The requested \$2.7 million does not result in any additional budget for the utility, as it is offset by budget reductions of \$1 million and \$1.7 million in the Waste Containers profile (CM-33-2005) and the Edmonton Waste Management Centre Infrastructure profile (CM-33-1933), respectively.

These budget decreases are a result of the utility's capital reprioritization efforts and will not affect program or service levels.

Public Engagement

Public engagement was not undertaken, as annual capital budget adjustments are standard operational practices for the Waste Services Utility.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	2017 Result(s)	2018 Target(s)
The City of Edmonton has a resilient financial position	Waste Services debt to net asset ratio	84%	73%

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations

Environmental	Liabilities due to the nature of waste management activities and obligations on site	2 - Unlikely	3 - Major	6 - Low	Complete capping of Clover Bar Landfill	Full implementation of site environmental management plan
Operational	Site infrastructure and facility condition deteriorates, resulting in increased maintenance expense, reduced operational efficiency and requiring capital upgrades	3 - Possible	3 - Major	9 - Medium	Conduct annual facility condition assessments and complete regular maintenance and upgrades as necessary	Develop and implement a comprehensive asset management program Implement a rigorous preventative maintenance program
Operational	Site disruption resulting in a negative impact to city operations and customer service	2 - Unlikely	2 - Moderate	4 - Low	Review site design and identify appropriate risks Communicate the plan to potentially impacted employees	Develop and implement site disruption response plan

Attachments

1. Impact Summary - Spring 2018 Supplemental Capital Budget Adjustment (SCBA) - Waste Services
2. Spring 2018 Supplemental Capital Budget Adjustments - Waste Services

Others Reviewing this Report

- R. Kits / S. Padbury, Acting Deputy City Managers, Financial and Corporate Services
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services