

Administration Response - Waste Services Audit

Recommendation

That the February 9, 2018, City Operations report CR_5486, be received for information.

Executive Summary

As part of its 2017 Annual Work Plan, the City Auditor completed a value-for-money audit of Waste Services for the period from 2011 to November 2017. The objective of the audit was to assess Waste Services' ability to achieve its vision, mission and desired outcomes in an efficient, effective and economical manner across four objectives. These include the effectiveness of the City's waste processing services; monitoring and managing cost-effectiveness of waste processing operations; project planning and management; and the administration and maintenance of the Edmonton Waste Management Centre (EWMC), the waste processing facilities and on-site mobile equipment.

The Office of the City Auditor identified areas for improvement across all four objectives and provided Administration with eight recommendations to improve Waste Services' ability to deliver value-for-money to the City of Edmonton.

Administration accepts and is addressing the Audit recommendations (Attachment 1). Administration was aware of many of the shortfalls identified in the Audit report as a result of assessments completed after the 2016 corporate transformation, and remedial actions have been and continue to be taken. The following is a summary of Administration's current and planned activities.

Report

As part of the 2016 corporate transformation, it was recognized that operational performance within City Operations would benefit from a concentrated effort to continuously improve in order to achieve operational excellence across all branches. A new branch, Business Performance and Customer Experience (BPCE), was established to advance business performance in all aspects of City Operations, such as contract management, efficiency reviews and performance management, amongst others. The branch is also focused on shifting the operational services offered to a customer-first or citizen-first perspective.

In early 2017, a decision was made to separate Waste Services and Drainage Services and establish each with its own management structure in order to focus on the operational improvements required to best meet Branch, Department and Corporate goals and outcomes. All sections within Waste Services were assessed to identify operational efficiency, process effectiveness, monitoring and reporting requirements, and opportunities to increase value for money. This assessment informed the reorganization and realignment in an effort to improve the way the branch manages the business.

Waste Services and BPCE identified multiple areas for improvement and began to implement actions in mid-2017. The following, in alignment with the Waste Services Audit Report, is a summary of that work:

Effectiveness of Waste Services

When Waste Services presented its Business Plan to Utility Committee in June 2017, it highlighted that significant program changes would be required in order to reach the goal of 90% residential diversion. The Utility's diversion rate had remained relatively static for some years, and it was evident that increases in the diversion rate depended upon the essential adoption of a number of best practices that had been developed across the industry. On February 23, 2018, Waste Services will present its Waste Services strategic update to Utility Committee. This report will demonstrate the necessary program changes required to achieve Council's goal of 90 percent residential diversion from landfill.

In conjunction with the development of the Waste Services Strategy in 2017, the Branch worked with City Operations Business Performance and Customer Experience (BPCE) to develop a Performance Management Framework. The Performance Measurement Framework includes the development of measures, data collection and analysis, consistent reporting and regular review by the Waste Services Leadership Team to ensure operations, including waste processing facilities are meeting performance expectations.

Waste Services is developing and will fully implement across the branch a comprehensive Performance Management discipline capable of proactively assessing the financial and operational health across all facilities and sites. This new performance management approach has already commenced, with completion scheduled prior to the end of 2018. Further enhancements to the Waste Services Performance Management system will continue with the development of a Waste Prevention Framework aimed at strengthening education, outreach, reduction and reuse components of the Waste Services Strategy. Additionally, Administration will

continue to support Council in its efforts to work with other orders of government to introduce new or modify existing waste prevention legislation.

Business Case Development and Project Management

One outcome of the Waste Services' reorganization was the creation of a Business Integration section. Established in Fall 2017, this section was created to provide branch governance and oversight across a comprehensive collection of ongoing strategic activities and processes to systematically coordinate and align resources and actions to ensure Waste Services achieves its mission and vision. A primary area of accountability within the Business Integration section is to ensure that Waste Services Business Cases provide a strong investment proposal that explores all feasible options and associated risks. In addition, all new business cases are now reviewed by BPCE, Finance and Law Branches.

As a result of other improvement opportunities identified in early 2017, Waste Services is establishing greater capital program management discipline. Templates are under review and procedures are being developed to ensure that Business Cases are consistent with Corporate standards, are complete and accurate and fully support decision-making on projects. A central repository of project-related information will be embedded into the new procedure, so that accurate information is easily retrievable. A new process of reviews by corporate stakeholders has been implemented, including reviews by Integrated Infrastructure Services, Finance, Law and Business Performance and Customer Experience, prior to approval by Branch Leadership.

Additionally, Waste Services is in the process of establishing and implementing a Branch-wide project initiation, priority evaluation and decision making process to identify, recommend and manage current and future projects to align with Branch goals. Waste Services has worked closely with Integrated Infrastructure Services to align to the Capital Project Governance Policy C591 and adopt the Project Development and Delivery Model.

Moving forward, projects will be managed per the new corporate process as defined in the Project Management Reference Guide and Project Development and Delivery Model under the stewardship of Integrated Infrastructure Services. Waste Services has enrolled all key staff in orientation sessions and will ensure continued and consistent participation in the capital project governance process with Integrated Infrastructure Services.

Asset Management and Preventative Maintenance

In November 2017, Waste Services established staff dedicated to asset management within the Technical Services section. In collaboration with corporate partners

(Integrated Infrastructure Services, Fleet and Facility Services, Information Technology), Waste Services is in the process of developing and implementing a condition assessment and data verification procedure. The procedure will outline the Branch Asset Management Framework and Plan, clarify roles and responsibilities between Waste Services and corporate partners, as well as different business areas within the Branch. When fully implemented, Waste Services will maintain a listing of all Branch assets, their condition, useful life, replacement value, and how critical they are to continue daily operations as well as schedules for ongoing asset condition inspections and replacement.

Oversight for the facility maintenance plan, schedule and activities is being transferred to Fleet and Facility Services, with initial oversight changes occurring in February 2018. Waste Services will collaborate with Fleet and Facility Services' staff to set roles and responsibilities, define maintenance levels, prepare the required templates and forms, as well as create the required records management system. Primary responsibility and accountability for the maintenance of Waste-specific equipment will also be transitioned to Fleet and Facility Services with ongoing reporting being provided to the Waste Management team. The maintenance plan on the Waste speciality equipment will be managed as part of the Waste Services Branch asset management practice.

Conclusion

Over the past year, Waste Services has undergone a transformation to improve the branch's ability to more effectively manage the programs and services for the citizens and businesses within the City of Edmonton. Significant strides have been made toward improving the effectiveness of processing services, establishing rigour around performance measurement systems, enhancing contract management, business case and project management competencies and enlisting cross-departmental expertise.

Some of these results can be observed by Waste Services' reduction of the 2018 rate increase from the proposed 4.1 percent, as quoted in the 2017 Rate File, to 2.3 percent, combined with positive net income forecasts in 2019 and 2020 and an acceleration of projected reductions in our Debt to Net Asset ratios.

Work to achieve operational excellence will continue as Waste Services delivers on its commitment to achieving Council's waste diversion goals and Administration's goals of financial sustainability and customer excellence.

In 2018 Waste Services will further explore opportunities to maximize the recovery, reduction and reuse of materials from its waste stream, improve reporting, monitoring and management of its operations and enhance its citizen education and outreach programs to ensure it is delivering value for money.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
The City of Edmonton has a resilient financial position	Implement a Branch performance measurement framework that includes a process to regularly monitor and report on performance by December 31, 2018.	Improved operational performance, financial resilience and alignment with Corporate strategy.	Full implementation to be complete by December 31, 2018
	Design and implement a business case development process in alignment with Corporate standards by June 29, 2018.	Improved business case development process to inform better decision making.	Full implementation to be complete by June 29, 2018
	Review, improve and align Branch project management with corporate processes by December 31, 2018.	Project management processes that ensure projects provide value-for-money and demonstrate sound stewardship.	Full implementation to be complete by December 31, 2018
	Develop a formal regulated versus non-regulated cost and revenue allocation methodology and documentation.	Reasonable, reliable and consistent allocation of costs and revenue between the regulated and non-regulated businesses.	Full implementation to be complete by July 31, 2018
Corporate Outcome: The City of Edmonton has sustainable and accessible infrastructure			
The City of Edmonton has sustainable and accessible infrastructure	Define and document a condition assessment and data verification procedure.	Complete and current listing of all Branch assets, their condition, useful life, replacement value, and operational impact.	Full implementation to be complete by June 30, 2018
	Establish a formal maintenance process documentation and clarify maintenance roles and responsibilities.	Well maintained facilities.	Full implementation to be complete by December 31, 2018
Corporate Outcome: Edmonton is an environmentally sustainable and resilient city			
Edmonton is an environmentally sustainable and resilient city	Work with Council and/or other orders of government to develop new waste prevention strategies.	Updated waste management strategy including waste prevention programs.	Full implementation to be complete by February 28, 2019

Attachments

1. Audit Recommendations and Administrative Response to Waste Services Audit

Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services