

PROPOSED 2023-2026 WASTE SERVICES UTILITY BUDGET

RECOMMENDATION

That Utility Committee recommend to City Council Budget:

1. That the 2023-2024 Waste Services Utility Rate Filing, as set out in Attachment 1 of the November 25, 2022, City Operations report CO01380, be approved.
2. That the proposed 2023-2026 Waste Services Operating Budget, as outlined in Attachment 2 of the November 25, 2022, City Operations report CO01380, be approved as follows:
 - a. 2023 Operating Budget with revenues of \$228.99 million and expenditures of \$223.43 million.
 - b. 2024 Operating Budget with revenues of \$235.52 million and expenditures of \$230.88 million.
 - c. 2025 Operating Budget with revenues of \$239.18 million and expenditures of \$237.46 million.
 - d. 2026 Operating Budget with revenues of \$243.36 million and expenditures of \$241.75 million.
3. That the proposed 2023-2026 Waste Services Capital Budget in the amount of \$153.10 million (which includes the cancellation of capital profile 15-33-2025 for Cure Site Land Use and Development in the amount of \$6.24 million from the 2022 Waste Services Capital Budget), as outlined in Attachment 3 of the November 25, 2022, City Operations report CO01380, comprised of \$134.49 million in 2023-2026, and \$18.61 million in 2027 and beyond, be approved.

Requested Council Action		Decision required	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work to achieve our strategic goals.		Climate Resilience	
City Plan Values	LIVE.		
City Plan Big City Move(s)	Greener as we grow	Relationship to Council's Strategic	Climate adaptation and

PROPOSED 2023-2026 WASTE SERVICES UTILITY BUDGET

	Priorities	energy transition
Corporate Business Plan	Managing the corporation	
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • C558B - Waste Services Utility Fiscal Policy • 25-year Waste Strategy and Zero Waste Framework • Waste Reduction Strategy • 2022-2025 Business Plan • Bylaw 18590 - Waste Services Bylaw • C203C - Debt Management Fiscal Policy 	
Related Council Discussions	<ul style="list-style-type: none"> • CO01527, Landfill Gas to Renewable Natural Gas Conversion Project Update, Utility Committee, November 25, 2022 • CO01528, Bylaw 20327 - Waste Services Bylaw 18590, Amendment No.6, Utility Committee, November 25, 2022 	

Executive Summary

- This is the first two-year rate filing for the Waste Services utility.
- The 2023-2024 Waste Services Utility Rate Filing (Attachment 1) recommends a 0.9 per cent annual rate increase for 2023 and 2024.
- The proposed 2023-2026 Operating Budget and Capital Budget includes all revenues, operating expenditures and capital projects for the Waste Services utility.
- Stable and consistent utility rates remain a key goal, with a continued focus on programs and activities that promote waste prevention and reduction, reuse of materials, circular economy innovations and alignment to the Zero Waste Framework for all City of Edmonton sectors.
- These programs and activities contribute to the City of Edmonton’s goal of Climate Resilience and the City’s waste diversion goals established in the 25-year Waste Strategy.

REPORT

The Waste Services utility is an essential part of The City Plan and key to enhancing sustainability while supporting the ConnectEdmonton goals of Climate Resilience through innovation and partnership. The utility provides efficient and effective waste collection and drop-off services to over 250,000 residential households that receive curbside collection (these are mostly single unit households that dispose of waste in carts), and approximately 167,000 residential households that receive communal collection (these are mostly multi-unit households, such as apartments and condominiums, that dispose of waste in shared containers).

The goal of the utility is to lead by example by focusing on waste reduction activities, waste diversion programs, and supporting and encouraging Edmontonians, businesses and institutions in their waste management practices. Programs that promote waste prevention, waste reduction, reuse of materials, and circular economy innovations through a Zero Waste Framework contribute to the City’s Corporate Outcomes and the City’s waste diversion goals established in the 25-year Waste Strategy.

PROPOSED 2023-2026 WASTE SERVICES UTILITY BUDGET

Over the next four years, the Waste Services utility plans to deliver the following:

- A residential diversion rate target of 40 per cent in 2023 and 2024.
- Further implementation of the Waste Reduction Roadmap to promote zero per cent growth in per-person residential waste generation.
- Enhancement of the City of Edmonton Corporate Three-stream Waste Program and alignment with other corporate utility management best practices.
- A mandatory source separation program for approximately 167,000 residential households receiving communal collection. The Waste Services Bylaw will also be updated in Q1 2023 to reflect this new residential program.
- An Industrial, Commercial and Institutional sector program strategy.
- Service delivery enhancements, focusing on efficiency, effectiveness, resident experience and information technology to deliver stable and consistent utility rates.

The Waste Services utility continues to be positioned well for the changes related to the continued implementation of the 25-year Waste Strategy. As the utility has matured and rate increases have stabilized, two-year rate filings are proposed for 2023-2024 and 2025-2026, with a transition to a four-year rate filing for the following budget cycle (2027-2030). 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

Financial sustainability is a high priority for the Waste Services Utility, and achieving stable and consistent utility rates remains a key goal. As defined in Policy C558B - Waste Services Utility Fiscal Policy, utility rates are considered to be stable and consistent when the year-over-year change in rates is within plus or minus two per cent of the Consumer Price Index for the Edmonton metropolitan region. For 2023 and 2024, Administration is proposing a 0.9 per cent annual rate increase across all residential customer classes, with the exception of multi-unit transitional customers. To achieve this target, the utility will continue to focus on service delivery enhancements, the sale of waste byproducts, enhanced asset optimization and operational efficiencies.

2022 is the first full year of operation for the Edmonton Cart Rollout for over 250,000 residential households that receive curbside collection. Residents sort their waste into four streams including food scraps/organics, yard waste, recycling and garbage. Variable waste rates based on garbage cart size also incentivize residents to produce less waste and give Edmontonians greater control over their monthly waste utility payments. With the approval of the Three-stream Communal Collection Business Case in April 2022, the City will be phasing in mandatory three-stream collection for approximately 167,000 residential households that receive communal collection at almost 3,400 properties. The program is scheduled to start in fall 2023 and continue for the next several years.

Administration will also continue to implement Edmonton's Plan to Reduce Single-use Items that prioritizes the use of reusable items and the elimination of unnecessary single-use items,

PROPOSED 2023-2026 WASTE SERVICES UTILITY BUDGET

regardless of the material type. This will be done in conjunction with the recently approved Single-use Item Reduction Charter Bylaw that addresses the growing number of single-use items in the waste stream and natural environment. The bylaw will come into effect on July 1, 2023 and will require residents, businesses and organizations to make reusable alternatives their default choice.

Revenue-generating opportunities will also be pursued through the sale of waste byproducts, such as compost and renewable natural gas. 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. Additionally, the utility will continue to focus on operational efficiencies. The proposed and forecasted years in the 2023-2024 Rate Filing all meet the requirement of generating sufficient net income to cover operating expenses. A summary of the 2023-2026 Waste Services Utility Budget is included in Attachment 2.

Capital Plan

As part of the 25-year Waste Strategy and the business planning process, the Waste Services utility has placed greater emphasis on delivering strategic program changes through focused prioritization and realignment of the capital plan. Significant improvements have been made in the capital program over the past few years as a result of continuous improvement and in response to audit recommendations. Aligned with the City Policy C591 - Capital Project Governance policy and the Project Development and Delivery Model, a comprehensive program and project management process was developed and is used 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 four-year budget cycle, a total of \$144.44 million has been allocated to 10 capital profiles. This includes funding for significant, multi-year, key profiles such as Three-stream Communal Collection, Facility and Infrastructure Construction and Upgrades, and Fleet Assets Replacement. Beyond 2027, an additional \$32.41 million has been previously approved for the Three-stream Communal Collection and Mayfield (NW) Eco Station initiatives for a total approval of \$176.85 million.

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 2023-2026 Waste Services Capital Summary, including a list of capital projects, is included in Attachment 3 and further detailed in the 2023-2024 Rate Filing (Attachment 1 - Appendix B).

PROPOSED 2023-2026 WASTE SERVICES UTILITY BUDGET

Request for 2023-2026 Capital Budget

The Waste Services utility has five composite profiles proposed to be extended into the 2023-2026 budget cycle. These profiles are supported with Capital Funding Requests within Appendix B of the 2023-2024 Rate Filing and are as follows:

- Waste Services Facilities, Infrastructure & Process Equipment
- Waste Services IIS Infrastructure Planning and Design
- Waste Services IIS Infrastructure Delivery
- Waste Containers
- Waste Services Fleet Assets

The business case for the High Solids Anaerobic Digestate Screening and Mixing System standalone capital profile was approved by Council on September 12, 2022 (IIS00708). However, since the capital profile did not accompany that report, the budget is being brought forward for approval at this time.

Scope Change - Cure Site Land Use

The remaining \$6.24 million approved budget in the Cure Site Land Use and Development profile originating from the 2015-2018 budget cycle is proposed to be cancelled and removed from the Waste Services utility budget. In the last two years, Administration has implemented a number of changes in collection and processing strategies, such as the Edmonton Cart Rollout, seasonal yard waste collection, regional organics processing contracts and the Waste Reduction Strategy. Following these changes, Administration has achieved efficiencies that have reduced the need for additional cure site space for the compost process. The existing infrastructures and contracts are deemed sufficient for organics processing and there is no urgent need for an external cure site at this time.

Recosting - Landfill Gas to Renewable Natural Gas

The Landfill Gas to Renewable Natural Gas capital profile provides funding for the development of a Renewable Natural Gas processing facility. The profile was originally established at \$16.67 million, however it was anticipated that a lower amount would be required. With recent cost escalation described in the November 25, 2022 report CO01527 - Landfill Gas to Renewable Natural Gas Conversion Project Update, the project remains below the original approved profile at \$13.37 million. This adjustment aligns the capital profile to the actual amount being funded by the utility for their portion of ownership in the facility. The cash flows of this profile have also been updated to reflect a new project schedule within the 2023-2024 Rate Filing as delays in negotiations have shifted the expected completion date to 2024. The Landfill Gas to Renewable Natural Gas Conversion Project Update report (CO01527) is scheduled to be presented to Utility Committee on November 25, 2022.

Utility Rates

Administration is proposing a 0.9 per cent annual rate increase for 2023 and 2024. Curbside customers have the choice of either a 120-litre or 240-litre waste cart. A 360-litre cart is only

PROPOSED 2023-2026 WASTE SERVICES UTILITY BUDGET

available to residents that meet very specific criteria, including large households and those that generate non-hazardous home health care waste.

Curbside cart rates provide financial flexibility for residential customers who embrace waste reduction and waste sorting behaviours. Variable rates allow residential customers to choose the garbage cart size they require based on the amount of waste they generate; this, in turn, reduces the waste generated and helps to achieve the City's waste diversion targets. The curbside rate is increasing by \$0.43 in 2023 and \$0.44 in 2024.

Most multi-unit residential households receive communal collection, which sees waste disposed of in shared containers, typically in condominiums and apartments. The rate for communal collection is increasing by \$0.28 in both 2023 and 2024.

The rate for customers who began transitioning from communal collection to curbside collection in 2020 (Multi-unit Transition Rate 1) will increase by \$3.93 in 2023 and \$3.99 in 2024 resulting in their alignment with the \$49.19 curbside rate in 2024. The rate for customers who began transitioning from communal collection to curbside collection in 2021 (Multi-unit Transition Rate 2) will increase by \$3.90 in 2023 and \$3.96 in 2024. These customers will have their rates in full alignment with the curbside rate in 2025.

The following table outlines the proposed monthly rates for 2023 and 2024.

Residential Waste Collection Service	Current Monthly Rate (January 1 to December 1, 2022)	2023 Proposed Monthly Rate (January 1 to December 31, 2023)	2024 Proposed Monthly Rate (January 1 to December 31, 2024)
Curbside 120L Garbage Cart	\$43.32	\$43.75	\$44.19
Curbside 240L Garbage Cart	\$48.32	\$48.75	\$49.19
Curbside 360L Garbage Cart*	\$58.32	\$58.75	\$59.19
Communal Collection	\$30.69	\$30.97	\$31.25
Multi-unit Transition Rate 1	\$41.27	\$45.20	\$49.19
Multi-unit Transition Rate 2	\$37.74	\$41.64	\$45.60

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

Utility rates are amended under Bylaw 20327 - Waste Services Bylaw 18590, Amendment No.6 (CO01528). Bylaw 20327 is scheduled to be presented at the November 25, 2022 Utility Committee and to City Council during budget deliberations. The bylaw reflects the proposed monthly rates for residential customers effective January 1, 2023 and January 1, 2024. Residents receive a variety of services with their waste utility rate as shown in Attachment 4.

PROPOSED 2023-2026 WASTE SERVICES UTILITY BUDGET

COMMUNITY INSIGHT

Perspectives from Edmontonians regarding 2023-2026 budget priorities are outlined in the October 31, 2022, Communications and Engagement report CE01489, Budget 2023-2026 Community Insights.

Extensive public engagement with residents and stakeholders was conducted for the 25-year Waste Strategy and Waste Reduction Roadmap. This input was used to support decision making and inform both the operating and capital budget for 2023-2026. The rate filing is standard operational practice for the Waste Services utility that follows general budget principles established by the City of Edmonton and is in accordance with Policy C558B - Waste Services Utility Fiscal Policy.

GBA+

The Waste Services utility follows a fair and consistent process based on financial needs 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 for all residential customers knowing that variability in rate increases can be challenging for households.

Residential households that receive curbside collection 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. Large households and those generating non-hazardous home health care waste may be eligible to apply for a 360-litre cart to meet their specific waste needs. An assisted waste collection service is available 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. Some educational materials are also translated to reach residents who speak languages other than English.

ATTACHMENTS

1. 2023-2024 Waste Services Utility Rate Filing
2. 2023-2026 Wastes Services Utility Budget and Plans
3. 2023-2026 Waste Services Capital Budget Summary
4. Waste Rates Infographic
5. Utility Advisor's Response to the 2023-2024 Rate Filing