

## WASTE SERVICES FALL 2023 SUPPLEMENTAL CAPITAL BUDGET ADJUSTMENT

### Recommendation

That Utility Committee recommend to City Council - Budget:

1. That \$18.51 million of replacement costs in the 22-81-2054 Communal Collection Program capital profile, be removed.
2. That the four funding source adjustments in the 20-81-2041 Source Separated Organics Program, 23-81-3060 Organics Screening and Mixing System, 13-33-2023 High Solids Anaerobic Digestion Facility and 20-81-2052 Refuse Derived Fuel Facility Enhancements capital profiles, be approved.

<b>Requested Action</b>		Council decision required	
<b>ConnectEdmonton's Guiding Principle</b>		<b>ConnectEdmonton Strategic Goals</b>	
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.		<b>Climate Resilience</b>	
<b>City Plan Values</b>	PRESERVE		
<b>City Plan Big City Move(s)</b>	Greener as we grow	<b>Relationship to Council's Strategic Priorities</b>	Climate adaptation and energy transition
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• City Policy C558B - Waste Services Utility Fiscal Policy</li> <li>• 25-year Waste Strategy</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• IIS00708, , High Solids Anaerobic Digestion Facility (HSADF), Utility Committee, August 26, 2022</li> <li>• CO01380, Proposed 2023-2026 Waste Services Utility Budget, November 25, 2022</li> </ul>		

## WASTE SERVICES FALL 2023 SUPPLEMENTAL CAPITAL BUDGET ADJUSTMENT

### Executive Summary

- This supplemental capital budget adjustment includes one profile recosting and four funding source adjustments, all for approved projects.
- Capital profiles and projects with asset lives greater than 10 years are traditionally financed through self-liquidating debt. When interest rates are high, paying interest on debt can potentially increase overall project costs.
- Waste Services has accumulated a cash balance due to one-time budget savings and delays in capital spending. This cash is sufficient to allow Waste Services to forego borrowing and save interest expense and fund select capital profiles without debt.

### REPORT

Waste Services (the “Utility”) is a utility within the City of Edmonton. City Policy C558B - Waste Services Utility Fiscal Policy, establishes requirements for the Utility to be financially accountable to its ratepayers. As a utility subject to environmental protection and monitoring regulations, Waste Services is required to have a restricted cash balance on hand to manage the long-term liabilities of landfill management, as well as funds available for Pay-As-You-Go (PAYG) Capital, operating working capital and funds for unexpected capital or operating expenditures. When savings occur in operating expenditures or capital project initiation is delayed, the Utility’s cash balance will increase.

While the Utility is able to fund capital expenditures using debt, as established in City Policy C558B, Administration continuously looks for opportunities to improve the Utility’s financial position and leverage available internal funding sources (retained earnings) as opposed to debt while maintaining an optimal cash reserve. As a result of one-time operating savings and delays in capital project initiation, the Utility proposes to forego borrowing and fund select capital profiles without debt.

Four capital profiles within Waste Services can be funded through PAYG funding, or funded through cash, instead of debt. By funding these profiles through cash, Administration can avoid the use of debt and related debt servicing costs and use available cash (PAYG). By proactively identifying capital projects able to be funded through PAYG, the City can responsibly manage projects and finances. One additional capital profile will also be recosted to align it with similar profiles. A full list of budget adjustments and accompanying capital profiles impacted by these decisions is included in Attachment 1.

### Profile Recosting

The 22-81-2054 Communal Collection Program profile was approved in the June 25, 2021, City Operations report, Waste Services Supplemental Capital Budget Adjustment CO00650. This profile supports the development of mandatory three-stream waste collection for multi-unit properties receiving apartment and condo waste collection.

The project costs originally included both initial rollout expenditures and 20 years of replacement costs between 2023 to 2047. To be consistent with similar capital programs, such as the 20-81-2041 Source Separated Organics Program, the profile should only reflect initial rollout

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costs, with the replacement costs requested in the composite capital profiles for equipment and waste containers. This budget adjustment would remove the \$18.51 million replacement costs from the project and reflect the updated completion date of December 2027.

There are no financial impacts to ratepayers from this adjustment. Funding released after 2027 will be requested under composite capital profiles in the next budget cycle.

### **Funding Source Adjustments**

To optimize use of its cash, Waste Services is requesting to fund four approved capital projects with PAYG funding instead of the originally approved debt<sup>1</sup>. This action helps to prevent Waste Services from incurring unnecessary interest expense.

Similar adjustments may be brought forward changing the capital funding source from debt to PAYG related to 2024 expenditures and beyond. Attachment 2 only includes 2023 adjustments to capital profiles.

### **Budget/Financial Implications**

Funding for the recommended budget adjustments will not result in additional budget or rate increases for Waste Services.

### **Community Insight**

Capital budget adjustments are standard operational practice for Waste Services that follow general budget principles established by the City of Edmonton and are in accordance with City Policy C558B - Waste Services Utility Fiscal Policy.

### **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 for all residential customers.

### **Attachments**

1. Waste Services Fall 2023 Supplemental Capital Budget Adjustment
2. Capital Profiles

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<sup>1</sup> Referred to as "self-liquidating debentures" in Attachment 1