

WASTE SERVICES SPRING 2024 SUPPLEMENTAL CAPITAL BUDGET ADJUSTMENT

Recommendation

That Utility Committee recommend to City Council:

That the four funding source adjustments in the Waste Services IIS Infrastructure Delivery (CM-81-2045), Waste Containers (CM-81-2005), Waste Services Facilities, Infrastructure and Process Equipment (CM-81-2047) and Materials Recovery Facility (MRF) Renewal (20-81-2020) capital profiles, as set out in Attachment 1 of the May 6, 2024, City Operations report CO02356, be approved.

Requested Action	Committee decision required		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Climate Resilience		
City Plan Values	PRESERVE		
City Plan Big City Move(s)	Greener as we grow	Relationship to Council's Strategic Priorities	Climate adaptation and energy transition Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> 25-year Waste Strategy C558B - Waste Services Utility Fiscal Policy 		
Related Council Discussions	<ul style="list-style-type: none"> CO01380, Proposed 2023-2026 Waste Services Utility Budget, Utility Committee, November 25, 2022 CO02061, Waste Services Fall 2023 Supplemental Capital Budget Adjustment, Utility Committee, November 3, 2023 		

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Executive Summary

- The Waste Services Spring 2024 Supplemental Capital Budget Adjustment includes four funding source adjustments to the following capital profiles: Waste Services IIS Infrastructure Delivery; Waste Containers; Waste Services Facilities, Infrastructure and Process Equipment; and Materials Recovery Facility (MRF) Renewal.
- Debt is traditionally used to fund capital profiles and assets with lifespans greater than 10 years. When interest rates are higher, paying interest on this debt can potentially increase the overall cost of projects.
- Waste Services has accumulated a cash balance due to one-time budget savings and delays in capital spending. This cash balance is sufficient to allow Waste Services to forego borrowing, save interest expense and fund select capital profiles without debt.

REPORT

Waste Services is a utility within the City of Edmonton. City Policy C558B - Waste Services Utility Fiscal Policy (City Policy C558B), establishes requirements for the utility to be financially accountable to ratepayers. Administration continuously looks for opportunities to improve the utility's financial position while maintaining an optimal cash surplus required to cover capital requirements, landfill liabilities and mitigate risk to the City. Waste Services currently has a higher-than-expected cash surplus as a result of operational efficiencies and some capital project delays.

As a result of these one-time operating savings and delays in capital projects, Administration is recommending funding four previously approved capital profiles with cash instead of debt¹. Two capital profiles reflect projects funding the acquisition of waste containers and the upgrade to the Materials Recovery Facility, which are ongoing and being extended into 2024. There are also a variety of smaller infrastructure renewal projects included within two composite capital profiles, including upgrades to the Compost Cure Site and Residential Transfer Station among others.

By funding these profiles with approximately \$22.7 million of available cash, Waste Services can save an estimated \$1.1 million in interest costs annually in the next four years with continued savings afterwards. By proactively identifying capital projects that can be funded through cash rather than debt, Waste Services is able to responsibly manage its finances and keep rates stable and consistent for ratepayers.

Similar capital budget adjustments were brought to Council in fall 2023 as part of the City's budget process. The proposed spring 2024 adjustments were not included at that time as Administration had to confirm the full project costs up to the end of 2023. A full list of budget adjustments and the accompanying capital profiles is included in Attachments 1 and 2.

Budget/Financial Implications

The recommended budget adjustments will not result in additional budget changes or rate increases for Waste Services in 2024. The adjustments only change funding sources and not the

¹ Referred to as "self-liquidating debentures" in Attachment 1

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overall projects as these projects are already approved and included as part of the Waste Services Revenue Requirement.

Community Insight

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

GBA+

Waste Services sets equitable utility rates for residential customers based on the collection service provided. By using cash and decreasing debt, Waste Services is able to improve affordability for current and future ratepayers. These rates fund services accessible to all ratepayers, including drop-off facilities, waste reduction and outreach programs, and environmental management.

Attachments

1. Waste Services Spring 2024 Supplemental Capital Budget Adjustment
2. Capital Profiles