

CAPITAL PROFILE REPORT

PROFILE NAME: **THREE-STREAM COMMUNAL COLLECTION**
 PROFILE NUMBER: **23-81-2054**
 DEPARTMENT: **Utilities**
 LEAD BRANCH: **Waste Services**
 PROGRAM NAME:
 PARTNER:
 BUDGET CYCLE: **2019-2022**

FUNDED

PROFILE STAGE:	Approved
PROFILE TYPE:	Standalone
LEAD MANAGER:	Denis Jubinville
PARTNER MANAGER:	
ESTIMATED START:	January, 2023
ESTIMATED COMPLETION:	December, 2027

Service Category:	Utilities	Major Initiative:
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GROWTH	RENEWAL	PREVIOUSLY APPROVED:	10,497
100		BUDGET REQUEST:	-
		TOTAL PROFILE BUDGET:	10,497

PROFILE DESCRIPTION

This business case is in response to the June 25, 2021, Utility Committee motion which asked Administration to consider options for fully private services within a regulated utility. The business case describes the process that Administration took to respond to the motion and makes recommendations to keep the communal sector within the existing framework. The business case recommends that the changes recommended in the previous business case be implemented. Those include changes to the current waste collection program offered to residences receiving communal collection. Currently, residences on communal collection (typically condos and apartment buildings) receive garbage and recycle collection via large communal bins, with recycling being voluntary (i.e. not all properties have recycling collection). The changes recommended include mandatory three stream separation of waste for all residences receiving communal collection. The three streams are: garbage, recycling, and organics. The associated capital funds include funding for containers, vehicles and associated accessories.

To accommodate the unique needs and challenges of different properties, the implementation phase is expected to take four years and will include working with every property in Edmonton to ensure challenges such as space restrictions and resident education are taken into consideration when rolling out the program.

Edmonton's 25-year Comprehensive Waste Management Strategy (the Waste Strategy) was approved by City Council in September 2019. The Waste Strategy established a target of 90 percent waste diversion across all sectors, and calls for the implementation of mandatory three-stream source separation of waste as a critical component of making progress towards the target.

Research shows that source separation is most effective at increasing waste diversion when municipalities set clear and consistent rules across all sectors. Consistent expectations for sorting food scraps and recyclable materials at home (regardless of dwelling type), work, school and in the community help to reinforce concepts communicated through educational programs and encourage the formation of responsible waste habits.

Following the implementation of mandatory three-stream separation for residential properties that receive curbside collection (by way of the Edmonton Cart Rollout), this business case addresses the development of a mandatory three-stream source separation service for residential properties that receive communal collection.

In Scope:

- Work with all properties receiving communal collection to transition to mandatory three stream source separation.
- Introduce carts as a collection container in the communal program (currently only bins serviced with front load vehicles are used).
- Introduce volume limits and developer standards for new developments.
- Adjust frequency of collection as required.
- Updates to the Waste Services bylaw.
- Change in processing requirements related to the Edmonton Waste Management Centre.
- Capital and operating budgets to support the program changes.
- Net Present Value (NPV) analysis.
- Revenue Requirement (RR) analysis.
- Development and delivery of education and outreach programs and materials.

Out of Scope:

- All residences include in the Cart Rollout program.
- Non-residential waste programs.
- Waste Management Policy update.
- Securing any additional processing capacity needed to process the source separated waste.

PROFILE BACKGROUND

When the June 2021 business case was presented to the Utility Committee, haulers, landlords, and building owners indicated a desire for more private sector involvement in servicing the communal collection program. In response, the Utility Committee passed the following motion:

That the Business Case and cost of service study for Residential Communal Collection be referred back to Administration to provide an alternative business model for consideration, which allows for a fully privately operated service within the regulated utility model along with a robust data sharing and accountability framework to ensure that diversion targets contained within the 25 year waste strategy are met.

This business case evaluates options that could be implemented under the conditions described in the motion.

PROFILE JUSTIFICATION

The commitment to achieve 90 percent waste diversion across sectors provides an opportunity to align the communal collection program with best practices for sustainable waste management. Waste Services researched services provided in jurisdictions across North America, Europe and Australia, and engaged local stakeholders to gain insight on how best practices could be applied in Edmonton. The result is the attached business case, which recommends a mandatory three stream source separation program. The three streams are recycling, food scraps and garbage.

Currently, properties that receive communal collection can have waste collected in two streams: garbage and recycling. Containers collected via front load vehicles (referred to as front load bins) are used for both streams in the majority of cases.

It is estimated that approximately ten percent of communal collection waste was diverted from landfill in 2021. This number is representative of a gap that must be addressed to progress toward the target defined by the Waste Strategy.

Based on recent analysis of multiple municipalities, an additional 72 percent of the material that is currently collected as garbage could be diverted through a source separation program (reflecting estimates that 40 percent of garbage is food scraps, and 32 percent is recyclable). Furthermore, Edmonton's current communal collection recycling stream has a contamination rate of about 22 percent.

Communal waste collection differs from curbside waste collection in many ways including a need for more flexible servicing due to space constraints and anonymity of the users. Compared with properties receiving curbside collection, resident turnover in properties with communal collection has a higher impact to service participation and compliance, as there is a steeper learning curve for adhering to service guidelines when moving between communal collection sites than when moving between homes that receive curbside collection.

The low diversion rate and high contamination rate present an opportunity to design and implement changes to the communal collection program.

STRATEGIC ALIGNMENT

Mandatory source separation of waste is aligned with, and critical to support, the City of Edmonton's strategic goals as outlined in the original business case presented with the June 25, 2021, City Operations report CO00581.

Implementing mandatory source separation of waste for properties receiving communal collection through private services is less aligned with the goal of Climate Resilience than the same services offered through the Waste Utility, based on the compromised environmental outcomes privatization is expected to achieve.

ALTERNATIVES CONSIDERED

The options analysis used a two-stage approach. In the first stage, the detailed options were evaluated against a wide range of criteria. In the second stage, the condensed options were evaluated in terms of their risk and cost.

Alternatives considered are:

1. Full privatization
2. Privatization with City Processing
3. Privatization with City Education
4. Private Collection and Containers
5. City Managed Services (Status Quo)

Options were evaluated by a group of subject matter experts within Waste Services in a series of workshops.

As described in Section 5.4, and in support of the options analysis, Waste Services requested information from private haulers & waste processors about their current capacity and future plans. The information collected was used to inform the options analysis as much as possible. However, Administration's ability to quantitatively evaluate options involving privatization was limited due to the lack of information about private sector operators.

COST BENEFITS

Based on limited available information about potential costs for privatized services, only the Capital and Operating savings and costs for the alternatives were evaluated, including stranded costs that would need to be managed with privatization. Please refer to the "Costs" section of the business case for cost benefit analysis. Further details are provided in the business case appendices.

KEY RISKS & MITIGATING STRATEGY

A comprehensive risk register was developed to assess the risks for each viable alternative. Through analysis of risk categories relating to Collection, Processing, Container Provision, Education and Outreach, alternative 5 for City Managed Services (Status Quo) demonstrated the lowest risk. Alternative 5 avoids risks related to:

- Achieving the waste reduction and diversion targets of the Waste Strategy;
- The City's inability to effectively or affordably regulate rates, rate increases, service outcomes, and waste processing and disposal under the current limitations of the MGA; &
- Inequitable service outcomes for some multi-unit properties and residents.

Please refer to the "Risks" section of the attached business case. Further details are provided in the business case appendices.

RESOURCES

The recommended alternative requires 30 Permanent and Seasonal FTE's and 14 Temporary FTE's for the program implementation. Please refer to the "Staff and Fleet Impacts" section of the attached business case.

CONCLUSIONS AND RECOMMENDATIONS

The recommended alternative is for mandatory colocation with voluntary chute closure within the current structure of City offered services through its own personnel and its contractors. Through risk and financial analysis, the City managed services option has the highest total score, presenting the lowest risk and has an acceptable NPV. The City's current service model, which includes significant private sector participation through competitively awarded service contracts, is a strong base upon which to introduce more flexible servicing options in collaboration with the private sector, as doing so becomes feasible.

CHANGES TO APPROVED PROFILE

2023 Utility Fall SCBA (#23-32, Att1-3.1): The Three-Stream Communal Collection profile was originally established to include initial rollout plus replacement costs over a 20 year period, however the profile should have only been established with the initial rollout program. Replacement costs from 2028 onwards are therefore being reduced from this profile, and the profile completion date will be changed to December, 2027. Replacement cost will be requested in the Waste Services equipment and container composite profiles in future budget cycles.

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PROFILE NAME: **Three-stream Communal Collection**
 PROFILE NUMBER: **23-81-2054**
 BRANCH: **Waste Services**

FUNDED
 PROFILE TYPE: **Standalone**

CAPITAL BUDGET AND FUNDING SOURCES (000's)

APPROVED BUDGET		Prior Years	2024	2025	2026	2027	2028	2029	2030	2031	2032	Beyond 2032	Total
	Approved Budget												
	Original Budget Approved	-	-	-	-	-	-	-	-	-	-	-	-
	2022 Cap Capital Budget Adj (one-off)	7,323	1,525	1,548	-	-	101	88	4,659	89	-	13,679	29,011
	2022 Cap Carry Forward	-	-	-	-	-	-	-	-	-	-	-	-
	2023 Cap Council	-	-	-	-	101	-101	-88	-4,659	-89	-	-13,679	-18,514
	2023 Cap Carry Forward	-5,522	5,522	-	-	-	-	-	-	-	-	-	-
	Current Approved Budget	1,801	7,047	1,548	-	101	-	-	-	-	-	-	10,497
Approved Funding Sources													
	Self-Liquidating Debentures	-	1,525	1,548	-	101	-	-	-	-	-	-	3,174
	Waste Mgt Retained Earnings	1,801	5,522	-	-	-	-	-	-	-	-	-	7,323
	Current Approved Funding Sources	1,801	7,047	1,548	-	101	-	-	-	-	-	-	10,497

BUDGET REQUEST		Prior Years	2024	2025	2026	2027	2028	2029	2030	2031	2032	Beyond 2032	Total
Budget Request		-	-	-	-	-	-	-	-	-	-	-	-

REVISED BUDGET (IF APPROVED)		Prior Years	2024	2025	2026	2027	2028	2029	2030	2031	2032	Beyond 2032	Total
Revised Budget (if Approved)		1,801	7,047	1,548	-	101	-	-	-	-	-	-	10,497
Requested Funding Source													
	Self-Liquidating Debentures	-	1,525	1,548	-	101	-	-	-	-	-	-	3,174
	Waste Mgt Retained Earnings	1,801	5,522	-	-	-	-	-	-	-	-	-	7,323
	Requested Funding Source	1,801	7,047	1,548	-	101	-	-	-	-	-	-	10,497

CAPITAL BUDGET BY ACTIVITY TYPE (000's)

REVISED BUDGET (IF APPROVED)	Activity Type	Prior Years	2024	2025	2026	2027	2028	2029	2030	2031	2032	Beyond 2032	Total
	Other Costs	1,801	7,047	1,548	-	101	-	-	-	-	-	-	10,497
	Total	1,801	7,047	1,548	-	101	-	-	-	-	-	-	10,497

OPERATING IMPACT OF CAPITAL

Type of Impact:

Branch:																
	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE
Total Operating Impact	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-