

Waste Services 2020 Supplementary Operating Budget Adjustment

Recommendation

That Utility Committee recommend to the December 11, 2019, City Council Budget meeting:

That the amended 2020 Operating Budget for the Waste Services Utility, with revenues of \$218.9 million and expenditures of \$212.4 million, and the Waste Services Utility rates, as set out in Attachment 1 of the December 6, 2019, City Operations report CR_7630, be approved.

Executive Summary

Since Council's approval of Waste Services 2019-2022 Operating Budget in December 2018, adjustments are required to address strategic program changes stemming from the approval of the 25-year Waste Strategy. The main changes will be at the household level with the introduction of organic waste separation and curbside collection of grass, leaf and yard waste. Additional changes will occur in the non-regulated lines of business with the wind down of Commercial Collections and the Construction and Demolition Recycling Facility operations by a third party. The Waste Services Utility expects to maintain a stable and consistent rate increase of 2.5 percent despite additional costs to implement these strategic program changes.

This report presents the Waste Services Utility 2020 Rate Filing which recommends a 2.5 percent increase. The proposed monthly rate increase for residential curbside customers for 2020 is \$1.18, resulting in a proposed monthly rate of \$48.26. The proposed monthly rate increase for residential bin collection customers for 2020 is \$0.77, resulting in a proposed monthly rate of \$31.37. Starting in 2020, a transitional rate of \$34.74 will apply to a subsection of multi unit customers redefined under the Bylaw to levy the appropriate service based rate.

Report

Over the next three years, the Waste Services Utility expects to maintain stable and consistent rate increases of 2.5 percent despite additional cost to implement strategic program changes stemming from the approval of the 25-year Waste Strategy and additional requirements to fulfill landfill obligations. This will be achieved through increases in operational efficiencies and prioritization of capital projects.

Administration continues to strive towards achieving the financial indicators set out in Waste Management Utility Fiscal Policy C558A. The policy was adopted by City Council in 2014 and is reflective of the foundational vision, principles and goals captured in ConnectEdmonton.

Program changes stemming from the approval of the 25-year Waste Strategy will set the City on a path of transformational change, starting with the adoption of a Zero Waste Framework. The framework focuses on activities that promote prevention, reduction and reuse of materials with a greater emphasis on circular economy innovations. The aim with this framework will be to continuously improve the waste system and expand performance indicators to capture the full social, environmental and performance impacts of the system to measure successful waste reduction beyond diversion. Program and service changes will include citywide source separation of waste in all sectors, development of an organics processing solution and a strong focus on waste reduction initiatives.

Budget adjustments occur annually in conjunction with the Utility's annual rate filing to ensure the annual Utility rates align with current budget requirements. The Waste Services 2020 Supplementary Operating Budget Adjustment is presented in conjunction with the Waste Services Fall 2019 Supplementary Capital Budget Adjustment (CR_7631).

Supplemental Operating Budget Adjustment Highlights

Over the past two years, the Waste Services Utility has reviewed its internal processes with the goal of refining overall financial management. This review placed greater emphasis on delivering strategic program changes, thoughtful replacement of damaged and underperforming assets using focused prioritization and realignment of the capital plan and capital spending, a review of forecast customer counts including realignment of revenue with the service provided and review of the landfill liabilities.

As part of the Program and Services Review, the Utility initiated a review of the non regulated lines of business. Council approved the wind down of the Commercial Collections business line and moving forward with requesting proposals from third parties to operate the Construction and Demolition Recycling business.

Significant factors affecting the Utility's programs over the next three years include:

- Introduction of strategic program changes focused on household separation of organic waste and changes to curbside collection of grass, leaf and yard waste.
- Formal final closure of the Clover Bar Landfill, including an increase of \$24.1 million to the landfill liability.

- Volatility of the markets for recycled commodities processed by the Materials Recovery Facility.
- Full integration of new technology such as the Anaerobic Digestion Facility and the Refuse Derived Fuel Facility to support waste diversion.
- Continued review and evaluation of the capital requirements to ensure the capital program is prioritized and optimized to support implementation of the 25-year strategy.
- Increased customer base due to the growth of single unit and multi unit residential areas.
- Development of an asset management strategy to ensure infrastructure rehabilitation is prioritized, pursued proactively and funded appropriately.

Utility Rates

The changes to the operating budget and utility rates are part of ongoing efforts to assess and manage revenues and expenditures for the Waste Services Utility which form the basis of the 2020 Utility Rate Filing (Attachment 1). The proposed monthly rate increase for residential curbside customers for 2020 is \$1.18, resulting in a proposed monthly rate of \$48.26. The proposed monthly rate increase for residential bin collection customers for 2020 is \$0.77, resulting in a proposed monthly rate of \$31.37.

Customer classes were redefined in August 2019 under the new Bylaw to levy the appropriate rate based on the type of service received. Under the previous Bylaw, the rate was determined based on the property’s taxation class without regard to the type of service provided. As such, these customers will be transitioned from the Residential Bin Collection rate to the Residential Curbside rate. To minimize impact, the transition rate for these customers will be phased in over five years, starting in 2020.

Type of Service	Monthly Rate (2019)	Monthly Rate (2020 proposed)	Monthly Increase
Residential Curbside	\$47.08	\$48.26	\$1.18
Residential Bin Collection	\$30.60	\$31.37	\$0.77
Residential Curbside (Transition Rate)	\$30.60	\$34.74	\$4.14

Utility rates are amended under Waste Services Bylaw 19085 (CR_7700) to reflect the proposed monthly rates for residential customers effective January 1, 2020.

Public Engagement

Although public engagement was not undertaken for this report, Administration conducted extensive public engagement with residents and stakeholders in 2018 and 2019 to inform the approved 25-year Waste Strategy, which in turn informed the operational adjustments. The annual supplemental operating budget adjustment 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 Waste Management Policy C527 and Waste Management Utility Fiscal Policy C558A.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position.			
Outcome(s)	Measure(s)	Result(s) 2019 Budget	Target(s) 2020 Proposed
Edmonton's waste service rates and fees are fair, equitable and value-driven.	Annual Net Income (\$000s)	\$12,317	\$6,571
	Stable Rates	2.5%	2.5%
	Debt to Net Assets Ratio	75.4%	78.1%
	Cash Position* (\$000s)	\$53,471	\$58,788

*Higher cash position is required to fulfill obligations for the Clover Bar Landfill and Bremner Lagoon liabilities. Closure activities for the Clover Bar Landfill are expected to be completed by 2022.

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Customers / Citizens	Changing citizen expectations; increased demand for services	3 - possible	2 - moderate	6 - low	Communications Social Marketing	Establish comprehensive communications programs to support implementation.

Environmental	Contamination of waste streams; reduced diversion	3 - possible	3 - major	9 - medium	Education Communications	Establish comprehensive education and communications programs to support implementation and to show value to citizens.
Public Perception	Perception of poor service by the City; poor public perception of the City affects its ability to achieve objectives (i.e. diversion target)	3 - possible	3 - major	9 - medium	Education Communications Social Marketing	Establish comprehensive education and communications programs to support implementation and to show value to citizens.

Attachments

1. City of Edmonton Waste Services Utility - 2020 Utility Rate Filing - November 1, 2019
2. Utility Advisor Responses to the 2020 Utility Rate Filing
3. Appendix B - Capital Profile Report

Others Reviewing this Report

- A. Laughlin, Acting Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor