

Waste Services Fall 2019 Supplementary Capital Budget Adjustment

Recommendation

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

That amendments to the 2020 Waste Services Capital Budget, with a reduction of \$67.6 million to the approved 2019-2022 Waste Services Capital Budget, as outlined in Attachments 1 and 2 of the December 6, 2019, City Operations report CR_7631, be approved.

Executive Summary

As part of the approved 25-year Waste Strategy and 2020 Business Plan, the Waste Services Utility has placed greater emphasis on delivering strategic program changes and transforming service delivery. This will all be achieved within the approved 2.5 percent rate increase using focused prioritization and realignment of capital.

In this report, the Waste Services Utility proposes the realignment of capital spending and three new stand alone capital profiles. The proposed stand alone capital profiles are: Interim Organics Processing Solution, Organics Processing Facilities and Advanced Energy Research Facility Upgrade. These stand alone profiles ensure project expenditures can be managed effectively and transparently.

Report

Over the next three years, the Waste Services Utility expects to maintain stable and consistent rate increases of 2.5 percent even with additional costs 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. The current approved capital budget for the Utility is shown below:

Waste Utility (thousands of dollars)	2019 to 2022	2023 and beyond	Total
Approved 2019-2022 Capital Budget	\$210,251	\$13,000	\$223,251
2018 Budget Carried Forward	9,192	-	9,192
2019 Approved Budget Adjustments	51,494	-	51,494

Total Adjusted Waste Utility Budget	\$270,937	\$13,000	\$283,937
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The 2020 Utility Rate Filing reflects the following realignment of capital spending:

- Realignment of timing for the Organics Processing Facilities (OPF) with major expenditures beginning in 2023.
- Reallocation of funding from the Waste Services IIS Infrastructure Planning & Design composite profile to a new OPF stand alone profile. This allows administration to advance the OPF Public Private Partnership (P3) business case development, including concept design.
- Realignment of timing for Cure Site land use and development with planned completion in 2024.
- Accelerated capital spend on the Materials Recovery Facility and Refuse Derived Fuel starting in 2020 to improve efficiency.
- Reduction in equipment and vehicle requirements due to the wind down of Commercial Collections business lines.
- Allocation of funding to complete the Groundwater Diversion system.
- Forecasted capital requirement in 2020 to meet Interim Organics processing requirements until the new OPF comes into service in 2025. A separate capital profile for interim organics has been included in this rate filing for forecasting purposes only. A detailed business case will be brought forward for approval in spring 2020 before any capital is committed.

A summary of all changes is available in Attachment 1 and detailed information is provided in Attachment 2.

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.

New Stand Alone Capital Profiles

The Waste Services Utility is proposing three new stand alone capital profiles to ensure project expenditures can be managed effectively and transparently. Additional details on all capital profiles can be found in Attachment 3.

Interim Organics Processing Solution

With the closure of the Edmonton Composting Facility and the start of citywide source separated organics collection by mid-2020, Administration estimates that the amount of organics collected will exceed the processing capacity available in the Anaerobic Digestion Facility. To prevent the organic material from being sent to landfill, additional organic waste processing capacity is required until the new Organics Processing Facilities are fully operational, which is anticipated by 2025. This profile will remain unfunded and has been included for rate forecasting purposes only. Waste Services will bring forward a detailed business case in spring 2020 where options for an interim organics processing solution will be considered; no commitments will be made until approval of the business case.

Organics Processing Facilities

This capital profile supports the development of the P3 business case for the Organics Processing Facilities Project. Included in this composite profile are activities required to advance the development of the P3 business case with the support of an external Owner's Engineer and Financial Advisor. The Organics Processing Facilities Project is a key component of the 25-year Waste Strategy and focuses on long term organics capacity and processing capabilities at the Edmonton Waste Management Centre. Project delivery costs will be added to this profile through subsequent budget adjustments subject to Council approval of the business case.

Advanced Energy Research Facility Upgrade

The upgrade of the Advanced Energy Research Facility at the Edmonton Waste Management Centre is being undertaken as part of the Alberta Clean Energy Technology Accelerator (ACETA) initiative and will help to improve the viability and financial sustainability of the facility. As part of this initiative, Alberta Innovates, through its Climate Change Innovation and Technology Framework (CCITF) program, provided a \$2.09 million grant. An estimated \$1.15 million will be spent on five capital construction or upgrade projects. The remaining funding will be used as operating funds. A separate stand alone profile for this project is proposed to facilitate and segregate project cost reporting and grant tracking as required by the grantor.

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 capital adjustments. The supplemental capital 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. Summary of Recommended Waste Services 2019 Fall SCBA Adjustments
2. Details of Recommended Waste Services 2019 Fall SCBA Adjustments
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
- J. Meliefste, Acting Deputy City Manager, Integrated Infrastructure Services
- B. Andriachuk, City Solicitor