

Sanitary Services Strategy Oversight Committee - Governance Options

Recommendation

That the September 30, 2019, Urban Form and Corporate Strategic Development CR_6671, be received for information.

Previous Council/Committee Action

At the November 27, 2018, City Council meeting, the following motion was passed:

That Administration report to Executive Committee on governance options that provide appropriate City Council oversight, transparency and public input on the operations and decisions made by the Sanitary Services Strategy Oversight Committee.

Executive Summary

Sanitary Trunks are constructed to deliver wastewater to the wastewater treatment plants.

Through the Sanitary Services Strategy Fund (SSSF) Oversight Committee, Administration works in partnership with EPCOR and development industry representatives to guide and implement the Sanitary Servicing Strategy (SSS) and manage the SSSF.

In response to the motion above, Administration has explored options for the governance of the Sanitary Servicing Strategy Fund and based on feedback from Utility Committee and discussions with stakeholders, has reached a consensus to implement the “Increased Oversight Model based on Escalation”. This report recommends an approach that refines the existing governance of the Fund, by adding operational scope for targeted public consultation and issue escalation to Utility Committee. This change does not require Committee direction, however, an alternative option is also presented which would require specific direction from City Council.

Report

Over the years, the approach to providing utility infrastructure has evolved. For many decades the development industry has funded (and continues to fund) the initial cost to construct sanitary sewer trunks, while the City operated and maintained the drainage system.

In response to development industry funding constraints in the 1990s, Council approved the Sanitary Servicing Strategy (SSS) in July 1998 as a long range planning and funding approach for the provision of major sanitary sewer trunks. Funds to implement the SSS are:

1. collected by Administration at the time of subdivision and development permit approval;
2. transferred to the Sanitary Servicing Strategy Fund (SSSF); and
3. allocated by the Fund management for the construction of major sanitary sewer trunks to accommodate new growth in the City as identified and prioritized by the SSS.

In 2018, following the transfer of the drainage utility to EPCOR, the SSSF governance structure was updated with the assistance of an independent consultant to reflect the new organizational structure of the City, the transfer of the drainage utility to EPCOR, and the input of the development industry. The structure was implemented in January 2019 after Utility Committee received information report CR_6233 Sanitary Servicing Strategy Fund Integrated Planning on November 16, 2018.

Using the policy guidance provided by the Council-approved SSS, operational and technical decisions are made regarding the use of the SSSF based on discussions among Administration, the development industry, and EPCOR, which are all represented on the three SSSF committees - the Oversight Committee, Planning and Management Committee, and Finance and Audit Committee. The Oversight Committee ensures the appropriate management of the Fund by Administration, and provides strategic guidance for the operation of the Fund. The two sub-committees support the Oversight Committee with inputs and recommendations, and manage aspects of day-to-day fund activities.

Council retains its role in approving rates for the drainage utility, and as the representative of the shareholder of EPCOR.

Key to the existing governance structure is the inclusion of a number of operating principles being:

- Transparency – Decisions are clearly articulated, understood, and observed by all key stakeholders;

- Accountability – Decisions and operations are appropriately stewarded, documented, auditable, and defensible for both internal and external stakeholders;
- Sustainability – Decisions and operations ensure the long-term sustainability of the Fund and overall sanitary servicing system;
- Efficiency – Capital and resources are standard and deployed in an efficient manner;
- Collaboration – Appropriate stakeholders are engaged in operations and decisions of the SSSF, and all voices are heard; and
- Alignment with City Strategy – Operations and decisions consider the broader City strategies (and other “user” strategies as appropriate).

A detailed description of the current governance structure is provided in Attachment 1 (SSSF Committee Terms of Reference (TOR)).

The Sanitary Servicing Strategy Fund Committee TOR were advanced to the November 16, 2018 Utility Committee meeting for information. The associated report (CR_6233) also provided information on a recent revision to the Sanitary Servicing Strategy (SSS) whereby \$160 million in system costs will be avoided by routing sanitary flows from south Edmonton to the Gold Bar Waste Treatment Plant (GBWTP) instead of the Alberta Capital Wastewater Treatment Plant located outside the City boundary. At the meeting, Utility Committee heard from speakers expressing concerns about potential local negative impacts stemming from sanitary flows being re-routed from south Edmonton to GBWTP and the roles and responsibilities of SSSF in consulting with the public on this change. Utility Committee subsequently directed Administration to report on additional governance options for City Council oversight and public engagement.

SSSF Governance Options

In response to the motion, Administration retained a consultant to identify governance options that in turn were evaluated by the SSSF Oversight Committee. The Oversight Committee’s evaluation was based on the criteria drawn from Utility Committee’s motion and alignment with SSS operating principles set out in the Terms of Reference. An overview of the Options is as follows:

Option 1 - Increased Oversight Based on Escalation - Recommended Option

This option would add to the *Revised Status Quo* alternative described below by also escalating certain policy issues to Utility Committee for decisions based on defined criteria. Escalation to Utility Committee would occur as policy issues arise and not be bound by a defined schedule. This escalation would allow for public discussion and for Council to make policy decisions related to the Fund based on approved terms and thereby enhance the accountability of the Oversight Committee, and reduce the risk of surprising City Council on arising Fund management matters.

The Oversight Committee workshop reached consensus in recommending the Increased Oversight Based on Escalation alternative as the preferred option. This model allows Utility Committee and City Council greater involvement and ensures Oversight Committee accountability for making informed decisions based on its technical expertise and stakeholder engagement. In this model, the SSSF Oversight Committee retains the ability to manage the Fund. However, any decisions where the potential outcome satisfies the following criteria would be escalated to Utility Committee:

1. Any decision that could directly or indirectly impact utility rates or taxes, and
2. Any changes to the long-term system plan.

Under these criteria, Administration would bring decisions before the SSSF Oversight Committee to Utility Committee for feedback and direction.

Option 2 - Revised Status Quo

This option would:

- maintain the principles of existing governance, whereby decisions related to Fund allocation are made by the Oversight Committee;
- add the implementation of Public Engagement Charter by City Administration with the support of EPCOR, to seek input from the public and stakeholders on matters related to reviews or revisions of the implementation strategy, and evaluate community impacts to ensure the correct level of engagement takes place; and
- add engagement with Utility Committee based on defined deliverables and a defined schedule (e.g., advancing an annual report outlining key investments and health of the Fund).

In summary, this option would maintain the existing decision-making process, but add scope for public engagement and communication with Utility Committee. Implementing this option would expend additional resources on engagement and communication.

Reporting to Utility Committee on a defined schedule has two impacts:

- it might prevent escalating emerging issues to Utility Committee in a timely manner, and
- it might lead to oversharing information when reporting on the basis of limited opportunities - providing information that is not requested or required reduces clarity and accountability as compared to the other two options.

Option 3 - Complete Oversight

This option would have Administration seek direction on decisions through Utility Committee, changing the current model from overseeing the fund to Administration providing recommendations to Utility Committee and Council to make decisions regarding the Fund. This would require a change in delegation of authority through amendment to the City Administration Bylaw, and potentially other bylaws, and be a complete shift in roles.

This governance alternative provides the greatest Council involvement, but would have the highest impact on resources, both for the SSSF Committees and Utility Committee, and on timely decision making in the interests of an efficiently planned and maintained sanitary drainage system.

Next Steps

Pending discussion with Utility Committee, Administration intends to do the following:

1) work with the Oversight Committee to amend the existing Terms of Reference for SSSF as per Option 1 above.

2) advance a reserve policy for SSSF to formalize the fiscal management and operating principles for the SSSF reserve and clarify key responsibilities to Council through Utility Committee for consideration in late 2019/early 2020.

Proposed Reporting and Updates

In addition to targeted stakeholder and/or public engagement, the following SSSF material will be communicated to Council:

Annual Report: The annual report will be communicated to Utility Committee in July of each year.

Rates: The Expansion Assessment Charge and Sanitary Service Trunk Charge will continue to be presented to Council for approval in September each year.

Long-term System Plan: The long-term system plan will be shared with Council every four years as part of Council orientation, or any time a change in the network is required.

Public Engagement

To support the motion, Administration, with input from the Oversight Committee, developed a Public Engagement Charter to better define engagement opportunities related to the SSSF management. The Public Engagement Charter is an administrative document that outlines the circumstances when engagement will occur and considerations when planning for that engagement. Related to the SSSF, major decisions requiring stakeholder engagement include:

- Selection of sewer treatment facility
- Selection of the trunk line routes
- SSSF rate adjustments.

Major decisions that may require general public engagement include potential impacts to the public related to selection of sewer treatment facility and/or changes to trunk line routes.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Condition of success			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Infrastructure investment accommodates growth in an orderly and economical fashion.	Length of SSSF funded network completed.	Completed construction of approx. 40.8 kilometers of deep trunk as of 2018.	Construct remaining approx. 34 km of trunk to service the new development with the current city limits by 2059.

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Project Management-Operational	If approved, Escalation Model and Public Engagement Charter slow urgent SSSF decision making.	1	2	2	Model and Charter only triggered for specific situations.	Exception from or alternative to Model and Charter when a situation is urgent.
Employees-Capacity	If approved, Escalation Model and Public Engagement Charter increase employee workload.	2	1	3	Model and Charter only triggered for specific situations.	Increased SSSF resources based on projections.
Citizens-Service Quality	If not approved, decisions made are not in the best interest of Edmontonians as a whole.	1	2	2	SSSF Committees include members from stakeholder groups.	Implementation of a public engagement process.

Public Perception-Brand erosion	If not approved, Citizen satisfaction decreases due to not being engaged in decisions that affect them.	3	2	6	Share plans with public through annual SSSF report. Engage public at construction stage of projects.	Implementation of a public engagement process.
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Attachments

1. Sanitary Servicing Strategy Fund Committee Terms of Reference

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