

Waste Services 2021 Rate Filing

Recommendation

That Utility Committee recommend to the December 9/11, 2020, City Council meeting:

1. That the amended 2021 Operating Budget for the Waste Services Utility, with revenues of \$215.0 million and expenditures of \$209.7 million, as outlined in Attachment 1 of the December 4, 2020, City Operations report CR_8448, be approved.
2. That the amendments to the 2021 Waste Services Capital Budget, with a reduction of \$0.8 million, to the approved 2019-2022 Waste Services Capital Budget, as outlined in Attachment 3 of the December 4, 2020, City Operations report CR_8448, be approved.

Executive Summary

Waste Services continues to progress toward a more environmentally sustainable future with a focus on both waste reduction across all sectors and the City's leadership as stewards of the environment. Key initiatives and priorities for the upcoming business planning cycle 2021 to 2024 will allow Waste Services to contribute to the City of Edmonton's goal of Climate Resilience and the 90 percent residential diversion goal established in Waste Management Policy C527.

This report presents the Waste Services 2021 Utility Rate Filing (Attachment 1) that recommends a zero percent rate increase in 2021. Following the citywide distribution of carts, single unit customers will be transitioned to cart rates in October 2021. The monthly rates will be based on the customer's choice of garbage cart size, which will incentivize less waste production and give customers some control over their monthly payments.

Report

Over the next four years, Waste Services will follow the guiding principles of Reimagine, ConnectEdmonton, and the new City Plan. Waste Services will keep diversion on target through a balanced portfolio of activities. This will include implementing aspects of the 25-year Waste Strategy such as the cart rollout, focusing on regulations for the Industrial, Commercial and Institutional sector, partnerships through the Alberta Clean Energy Technology Accelerator (ACETA), and identifying revenue potential for waste byproducts. Waste reduction will also be promoted through

increased citizen engagement, education and enforcement to meet the evolving waste system requirements and planned changes.

Waste Services' focus for the next four year business cycle will be on the following:

- Waste Strategy in Action - Applying a Zero Waste Framework, with emphasis on waste reduction, reuse, recycling, composting, materials recovery and waste to energy across all waste streams.
- Service Delivery Transformation - Wastes Services will move to a customer focused approach using proven methodologies and industry-leading practices.
- Innovation and Asset Optimization - A variety of projects are underway at the Edmonton Waste Management Centre to enhance asset optimization and operational efficiencies. Partnerships are also being explored through the Alberta Clean Energy Technology Accelerator (ACETA).
- Fiscal Accountability - The focus is to provide stable and consistent rates over the long term to ensure the Utility is financially sustainable. A zero percent rate increase is being proposed in 2021 to align with the City of Edmonton Reimagine priorities and the current fiscal climate.
- Fiscal Management - Risks will continue to be monitored and updated in the Risk Register. Performance metrics will continue to be refined to aid in the management of the business in conjunction with the Enterprise Performance Management initiative.

The Waste Services Utility is well-positioned for the transformational changes in the coming years as a result of the 25-year Waste Strategy. Stable and consistent utility rates remain the key goal, with a focus on waste reduction and alignment to the Zero Waste Framework for all sectors in the City of Edmonton.

Supplemental Operating Budget Adjustment Highlights

The Utility's focus is to provide stable and consistent rates over the long term, in addition to a proposed zero percent rate increase for 2021. In order to achieve its long term goal, the Utility will focus on transforming service delivery to residential customers, identifying the revenue potential of waste byproducts, as well as enhancing asset optimization and operational efficiencies. The proposed and forecasted years in the rate filing all meet the requirement of generating sufficient net income to cover operating expenses.

Starting in 2021, approximately 236,000 single unit households will move to a four stream program with separate food scraps collection, seasonal yard waste collection

and garbage volume limits as part of the Edmonton Cart Rollout. Following the citywide distribution of carts, Single Unit customers will be transitioned to cart rates in October 2021 (based on their choice of garbage cart size) to incentivize less waste production and give them greater control over their monthly payments.

The Utility has also recommitted to enhanced asset management and thoughtful replacement of damaged and underperforming assets through ongoing prioritization of capital projects, including the Materials Recovery Facility upgrades. When coupled with significant strategic program changes to be implemented in 2021, this heightened focus on increasing the productivity of all assets will result in the target for the Debt to Net Asset Ratio being achieved in 2028. The Utility concluded a review of its fiscal policy during 2020 and will be recommending updates, including changes to the Debt to Net Assets ratio as a financial indicator under a separate report (December 4, 2020 City Operations report CR_7840).

Capital Forecast Plan

As part of the 25-year Waste Strategy and the 2021-2024 Business Plan, the Utility has placed greater emphasis on delivering strategic program changes through focused prioritization and realignment of its capital plan. Significant improvements have been made in the capital program over the past few years due to continuous improvement in response to the audit recommendations. Aligned with the City's Project Development and Delivery Model (PDDM), a comprehensive branch program and project management process was developed and is used from project initiation, business case development, prioritization, budget development and expenditure tracking, through to project delivery and close-out. Emphasis is placed on ensuring sustainability and growth in assets, as well as meeting regulatory requirements through proper program planning and delivery.

In the current budget cycle, a total of \$187 million has been allocated to 16 capital profiles, including funding for the significant, multi-year profiles such as source separated organics, organics processing facility, and vehicle and equipment replacement.

Moving forward, the branch's capital program will continue with appropriately balancing growth, process efficiency improvements, rehabilitation and regulatory requirements. A risk-based, process safety and process reliability focused asset management philosophy will continue to be incorporated into future capital planning. In order to facilitate the development and maturity of this asset management philosophy, approximately two percent of the asset replacement value (\$7 million annually) has been incorporated into the capital plan starting in 2024 to perform proactive maintenance and repairs based on asset condition assessment, safety, security and environmental requirements.

New Stand Alone Capital Profile - Landfill Gas to Renewable Natural Gas

The Waste Services Utility is proposing one new stand alone capital profile to ensure project expenditures can be managed effectively and transparently. This capital profile includes the estimated capital required to collect, process and convert landfill gas into renewable natural gas. A separate capital profile has been included in the rate filing for rate forecasting purposes only, however, no funds will be requested until a detailed business case is brought forward for approval in the first quarter of 2021. Additional details on the capital profile can be found in Appendix B of Attachment 1.

Utility Rates

The changes to the operating budget and utility rates are part of ongoing efforts to manage revenues and expenditures for the Waste Services Utility, which form the basis of the 2021 Utility Rate Filing. The Utility is proposing a zero percent rate increase in 2021, while delivering significant and transformational change. Following the citywide distribution of carts, Single Unit customers will be transitioned to cart rates effective October 2021.

Single Unit Residential Curbside customers will transition from the Hand Collection Rate to new cart rates based on the size of their garbage (black) cart following the implementation of cart-based collection to all Single Unit customers. Cart rates will be in effect beginning October 2021, following cart size selection, cart distribution and updating the customer billing system with customer cart size information. The chart below outlines the proposed rates and the associated increase or decrease based on cart size selection.

In 2019, the Waste Services Bylaw was updated to allow for customers to be charged in alignment with their service type. Based on a review, approximately 9,500 households were reclassified from the multi-unit rate to the single unit rate beginning in 2020 and approximately 15,900 will be reclassified in spring 2021. To avoid rate shock for these customers, Waste Services intends to adjust the rates from the multi-unit rate to the single unit rate over a period of five years.

Utility rates are amended under Waste Services Bylaw 19406 (December 9/11, 2020, City Operations report CR_8449) to reflect the proposed monthly rates for residential customers effective January 1, 2021.

Type of Residential Service	Monthly Rate (2020 blended rate*)	Proposed Monthly Rate (effective January 1 to September 30, 2021)	Proposed Monthly Rate (effective October 1 to December 2021)	Monthly Decrease/ Increase (effective October 1, 2021)
Hand Collection (no garbage cart provided)	\$47.22**	\$47.22	N/A	N/A
<i>Hand Collection will transition to one of the three cart options below</i>				<i>Dependent on option selected</i>
120L Garbage Cart	\$47.22	\$47.22	\$43.32	(\$3.90)
240L Garbage Cart	\$47.22	\$47.22	\$48.32	\$1.10
360L Garbage Cart	N/A	N/A	\$58.32	\$11.10
Bin Collection	\$30.69	\$30.69	\$30.69	No change
Multi-unit Transition Rate 1	\$34.00	\$37.30	\$37.30	\$3.30
Multi-unit Transition Rate 2	N/A	\$34.00	\$34.00	-

*The 2020 rate was reduced effective June 1, 2020 as a result of COVID-19, resulting in a rate reduction of 2.2%. The rate charged to customers effective June 1, 2020 was \$46.52 and included retroactive credit for the first five months where customers paid the original approved rate of \$48.26.

**The 2020 blended rate is \$47.22 assuming the rate reduction of 2.2% was effective January 1, 2020 instead of June 1, 2020. This rate was previously noted as \$47.24 in the May 11, 2020 City Operations report CR_8258 due to rounding.

Public Engagement

Public engagement was not undertaken for this report; however, Administration conducted extensive public engagement with residents and stakeholders in 2018 and 2019 to inform the approved 25-year Waste Strategy. The implementation of the Waste Strategy informed both operational and capital adjustments in this rate filing. The annual utility rate filing is a standard operational practice of 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) 2020 Forecast	Target(s) 2021 Proposed
Edmonton's waste service rates and fees are fair, equitable and value-driven.	Annual Net Income (\$000s)	12,870	5,280
	Stable Rates	0.3%	0%
	Debt to Net Assets Ratio	79.3%	77.7%
	Cash Position (\$000s)	62,311	31,107

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 & Marketing Education & Outreach	Establish comprehensive communication and education & outreach programs to support implementation of the 25-year Waste Strategy and to show value to citizens.
Environmental	Contamination of waste streams; reduced diversion	3 - possible	3 - major	9 - medium	Communications & Marketing Education & Outreach	Establish comprehensive communication and education & outreach programs to support implementation of the 25-year Waste Strategy.
Public Perception	Perception of poor service by the City; affects City's ability to achieve objectives (i.e. diversion target)	3 - possible	3 - major	9 - medium	Communications & Marketing Education & Outreach	Establish comprehensive communication and education & outreach programs to support implementation of the 25-year Waste Strategy and to show value to citizens.

Attachments

1. Waste Services 2021 Utility Rate Filing
2. Utility Advisor Responses to the 2021 Utility Rate Filing
3. Details of Recommended Waste Services 2020 Fall SCBA Adjustments

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor