

# Industrial, Commercial and Institutional Sector Strategic Review - Update

## Recommendation

That Utility Committee recommend to the February 5, 2019, City Council meeting:

1. That the actions as outlined in Attachment 2 of the February 1, 2019, City Operations report CR\_6361, be approved.
2. That Attachments 1 and 2 of the February 1, 2019, City Operations report CR\_6361 remain private pursuant to sections 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

## Previous Council/Committee Action

At the August 23, 2018, Utility Committee meeting, the following motion was passed:

That Administration:

1. Conduct detailed engagement with the Industrial, Commercial and Institutional (ICI) sector, to inform a new strategic plan for its non-regulated businesses including commercial collections and commercial self-haul, and return to Utility Committee in February, 2019, with results from this engagement.
2. Consider options for revising the business model of the current Construction and Demolition Waste processing operations, and return to Utility Committee in February, 2019, with recommendations on options for proceeding.

## Executive Summary

This report provides an overview of Phase 1 engagement related to the Industrial, Commercial and Institutional sectors (or non-regulated) sectors and reports on the overall feedback received with respect to Waste Services current business activities in these sectors. As well as, the report provides an overview of the broader perspectives of sector organizations on opportunities to participate more broadly in waste diversion and reduction activities.

## Report

The non-residential waste sectors, also commonly known as the Industrial, Commercial and Institutional sectors, encompass all of Waste Services' activities beyond the City of Edmonton's mandated role in providing residential waste services.

Waste Services currently offers several lines of business within its non-residential program, including:

- **Industrial, Commercial and Institutional:**
  - **Commercial Collections** - Waste Services provides contracted services to collect non-residential waste and recyclables from commercial businesses, industrial businesses and institutions. Most contracts include pre-processing of waste and recyclables at the Edmonton Waste Management Centre to enable diversion of waste materials from landfill.
  - **Commercial Self-Haul** - Businesses may haul waste to the Edmonton Waste Management Centre and pay fees for Waste Services to tip their waste. Currently this material is transported to landfill.
- **Construction and Demolition Recycling:** This stream of business operates at the Edmonton Waste Management Centre and encompasses two major functions: 1) recycling, reuse and 2) processing of mixed and of segregated construction and demolition materials. These services result in diversion of waste materials from landfill.
- **Aggregate Recycling:** Waste Services offers recycling for concrete and asphalt from City reconstruction projects, household renovations and private demolition. This service results in diversion of waste material from landfill and is free for customers.

The City's direct participation in the Industrial, Commercial and Institutional (ICI) sector is not part of its regulated mandate. Waste Services is legislated to provide services for residential properties within City limits, referred to as the regulated waste service. In Edmonton, this also includes providing waste collection and processing for the entire multi-unit residential sector. However, the City of Edmonton chose to offer services to the non-regulated sector in 2007 based on the following objectives:

**Objective 1:** *Provide a financial contribution to the regulated services*

**Objective 2:** *Encourage diversion of non-residential waste material from landfill*

**Objective 3:** *Utilize excess capacity that exists at the Edmonton Waste Management Centre*

As outlined in City Operations report CR\_6217 to Utility Committee on August 23, 2018, Objective 1 is challenged by cumulative losses since 2012 of \$6.2 million (including a one-time commodity transfer: \$2.4 million adjustment in 2016 that was based on estimated value of inventory in construction and demolition).

In terms of Objective 2, Waste Services, along with the Program and Service Review, conducted internal assessments of the relevance and effectiveness of the current programs. The assessments identified that the City's efforts to achieve significant diversion within the ICI sectors has been limited. The Program and Service Review noted that the City's non-regulated operations currently impact 4.3 percent of the annual estimated 600,000 tonnes of waste generated by the industrial, commercial and institutional sector. At this level of market impact, Objective 2 has had very limited success.

Finally, in terms of Objective 3, current operational challenges at the Edmonton Waste Management Centre have impacted capacity of the City's current operations to the extent that excess capacity is significantly constrained and will continue to be so for several years.

### **Strategic Review of Waste Services ICI Operations**

Internal assessments of Waste Services' role in the ICI sector provides clear indication that the City's efforts have been limited, based upon acquiring minimal market share and achieving increasingly limited success in finding end markets for specialized materials accepted by the Construction and Demolition Recycling Facility.

After approximately 10 years of operation, Administration determined that a strategic and policy review was needed, especially in the context of the broader strategic review now underway across Waste Services. As a first step, public engagement has been undertaken to help ascertain whether the City's current path will meet its overall policy objectives or whether alternative approaches are required from both environmental and financial perspectives.

In considering its positioning, the City is interested in both the effectiveness of current programming, but also the desire of the ICI sectors to participate more broadly in waste diversion and reduction activities.

### **Phase 1 - ICI Engagement**

The Phase 1 (Fall 2018) engagement represents the first major engagement with the industrial, commercial and institutional businesses since the launch of Waste Services' non-regulated business lines. A detailed report on the engagement is provided as an attachment in report CR\_5827 Citizen Feedback on Additional Residential Waste Diversion Programs.

The "What We Heard" report outlines details of the methodology employed and the results achieved from Phase 1 engagement. Overall, the sector is generally positive to participating more overtly to support waste diversion and reduction goals of the City, and that sees a primary role for the City to play in regulating, educating and

encouraging participation, though not necessarily as the primary operator of services. As outlined in CR\_5827, Phase 2 engagement (Spring 2019) will further examine the themes identified herein, along with key operational and financial considerations as final recommendations are advanced.

### **Methodology and Input Sources**

To support ICI engagement, a specific survey instrument was developed. Survey responses were invited and solicited throughout the engagement period through an online survey (n = 116) and a random sample was collected through telephone interviews conducted over six weeks (n = 557). Because online survey respondents represented a smaller sample, there is greater emphasis on the randomly selected telephone interviews and on the data gained through facilitated discussions, which was able to probe more specifically into certain issues.

In addition to the research results and facilitated discussions, two preliminary workshops were held with targeted Not-for-Profit (NFP) organizations and industry stakeholders to open lines for discussion about potential changes and about how Waste Services can work with industry and the NFP sector to better deliver services, support community programs and organizations, and achieve higher waste diversion through services and waste reduction programs.

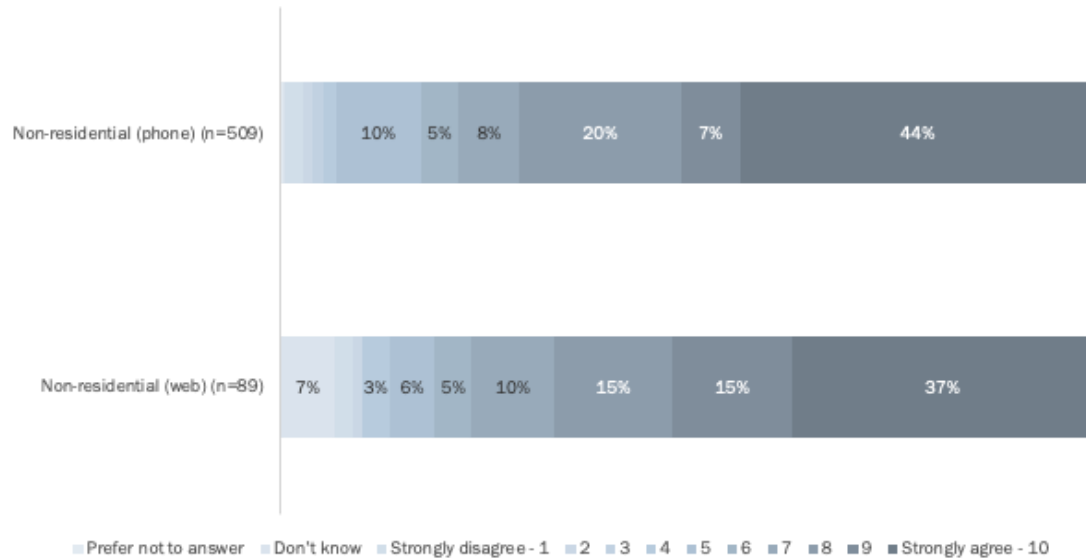
Finally, the Edmonton Insight Community was surveyed through a limited business mixed topic survey with an additional 180 organizations providing input.

Based on a review of Phase 1 engagement inputs, a number of key insights are discernible. These will inform Phase 2 engagement for validation purposes, and in addition, stakeholder perspectives will be considered in alignment with operational planning and regulatory reviews to ensure final strategic recommendations consider both what stakeholders would prefer along with what is operationally and financially achievable. A summary report of Phase 1 public engagement is attached to report CR\_5827: Citizen feedback on Additional Residential Waste Diversion Programs.

#### **1. There is moderate to positive support for moving towards greater source separation of waste within ICI sector organizations.**

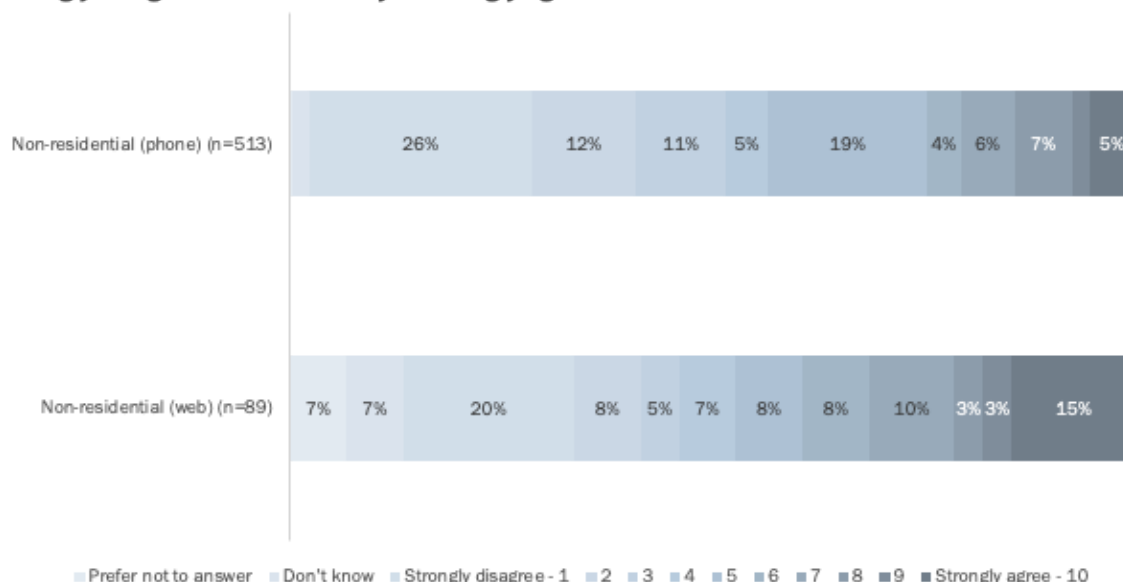
A sample of questions asked in the survey which show moderate agreement that the ICI sector needs to do more to support waste diversion.

**At least two-in-five non-residential stakeholders agree that businesses and other organizations operating in Edmonton should also be required to participate in sorting and reducing their waste.**



The research results suggest more discussion is needed to explore how ICI diversion could be supported. At the same time, there are some clear indications from the research that will need to shape how programs come forward and how the City shapes its approach. Primary among these considerations will be the legal/regulatory basis upon which the City can direct participation.

**Sorting waste will cost too much money. Please use a scale from 1 to 10 where 1 means you strongly disagree and 10 means you strongly agree with each statement.**



Motivations for engaging in source separation and progressive waste practices in general are driven by corporate environmental stewardship and corporate social responsibility priorities, thus organizations are self-motivated. However, easy access to cheap regional landfill is seen as a disincentive for organizations to do more to sort and reduce their own waste.

Decisions about whether to participate in source separation, including selection of a waste hauler, are often determined by factors such as cost, convenience and customer demand. Property managers may have tenants that demand recycling, or that strive to meet waste diversion targets set through corporate or industry frameworks including BOMA's Best or LEED standards. In some cases property managers may choose to include organic separation requirements within lease agreements.

Some organizations have indicated difficulty in sourcing organics processing services in the community. Existing Waste Services customers expressed frustration about the current state of organics processing at the Edmonton Waste Management Centre, which is having an impact on their own diversion targets. To the extent that the City has waste facilities available for processing, they are seen as optimally positioned to support greater diversion through beneficial processing. Many of those who choose to have the City as their commercial waste hauler do so based upon an expectation that their waste will be fully processed at Edmonton Waste Management Centre.

In terms of private providers of waste services, many expressed a willingness to play a larger role in achieving diversion, but at the same time expressed frustration about a

lack of access to Edmonton Waste Management Centre facilities, even though these facilities are seen as publicly supported.

**2. The City must be more consistent in advancing positive, educational messages about managing waste and it needs to have a clearer sense of its own role.**

To the extent organizations are moving to increase their waste diversion, they are clear that their moves are related to their own business goals or customer demands and not in response to City initiatives. To date, the City has not been seen as a consistent advocate of behaviour change in this sector and its role as a service provider has not been perceived as impactful (52 percent of telephone survey respondents were not aware that the City offers waste services for the commercial sector).

At the same time, there is a clear desire to see the City play a larger role in terms of advocating for and educating about changing practices in waste management. There is also some desire for the City to play a direct role in the industry as processor or collector.

In discussion with industry representatives, respondents expressed frustration with the City being both regulator and industry participant who competes with them for customers, with the City's goals in the sector seen as inconsistent and confusing. This is a factor that sends mixed messages to industry and is seen as detrimental to establishing good working relationships between the City and industry. There is a desire for the City to clearly define its role within the sector and to effectively engage and use the services available through the private sector.

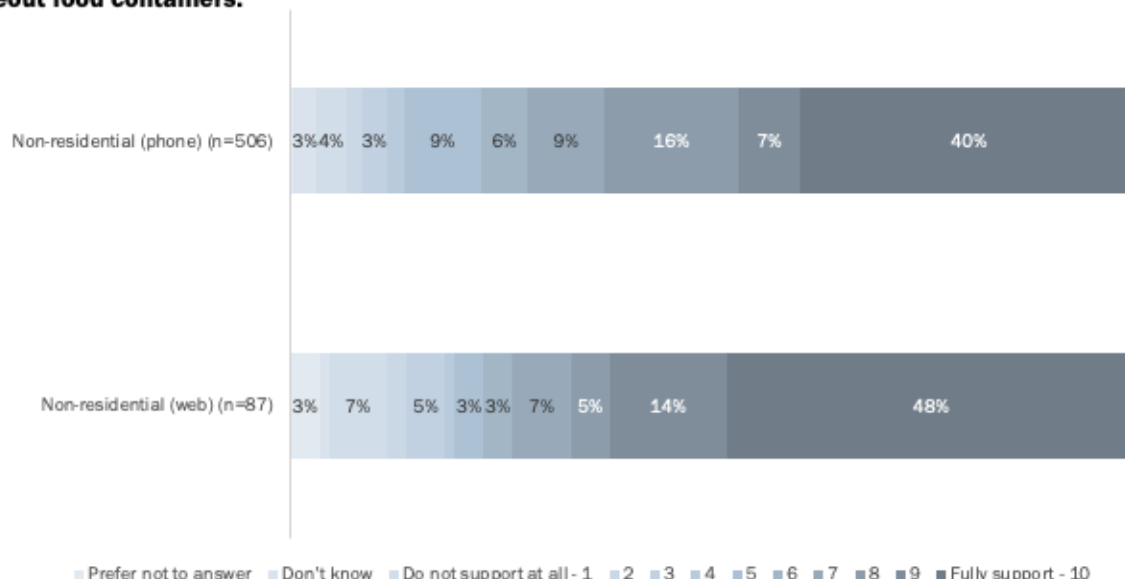
**3. The City is not doing enough to impact change through education or regulation.**

As noted above, the strongest support was expressed for the City to play a role in education and advocacy. This is seen both as a means of raising the profile of the need for change as well as a means to ensure change is achieved. Those organizations who have advanced programs within their organizations/buildings note how extensive education programs have to be in order to change behaviour. They note that it is important to learn from other jurisdictions (Calgary, Vancouver), as well as local organizations (University of Alberta) and acknowledge that behaviour change will take an extensive amount of time and work.

#### 4. There is an appetite for more initiatives to reduce waste production through regulation and some frustration with lack of movement on Extended Producer Responsibility among some organizations.

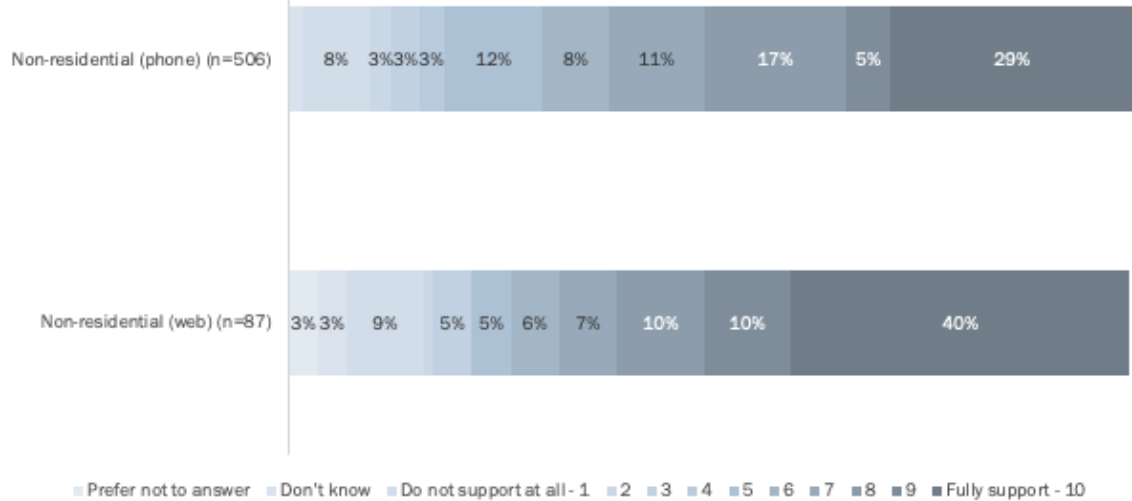
There was moderately positive across all categories for proposed waste reduction initiatives. ICI support for these activities aligns well with the preliminary discussion which occurred with representatives from the Not-For-Profit sector, many of which have already launched innovative reuse, waste reduction and food waste programs. In turn, many commercial organizations, including food-based businesses, expressed a willingness to participate with not-for-profit programming, but noted key structural deficiencies which limited their success. Conversations from facilitated discussions emphasized an openness to building new partnerships, especially around food waste prevention and recovery programs.

##### Changes to use of single-use disposable plastic items, such as straws, plastic bags, and takeout food containers.

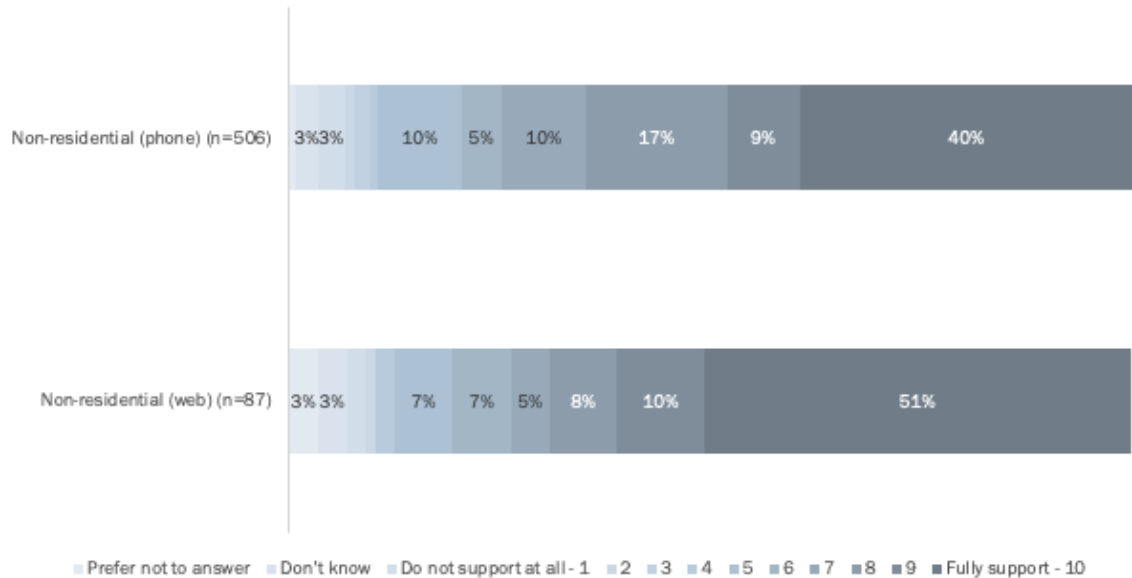




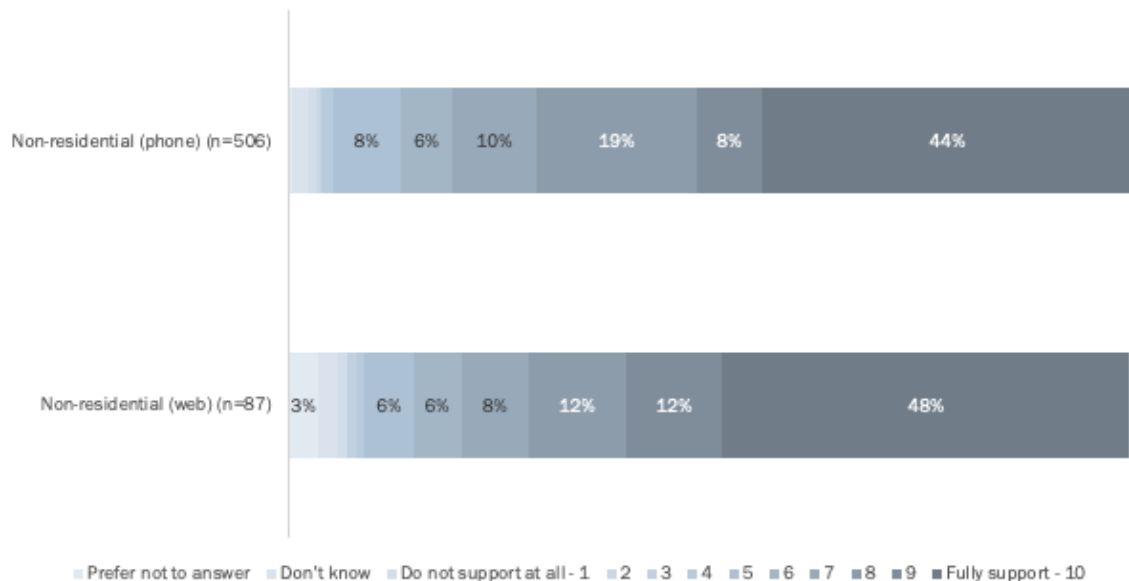
**Advocating for Extended Producer Responsibility (EPR), meaning companies would be held responsible, physically and financially, for the production and disposal or recycling of waste from the products they make and sell. This could help make manufacturers responsible for disposal of waste for things that you buy.**



**Developing food waste prevention and recovery programs.**



### Expanding reuse programs and initiatives in Edmonton.



## 5. The City must lead by example

Many ICI respondents felt that to achieve a successful waste diversion program, the City needs to be seen as 'leading by example' by implementing the source separation of organics at all public facing facilities at the same time as residential programs are established. Both ICI engagement and overall public engagement results noted that the City must be seen to model the behaviour it expects of others. As such, the strategy will be clear that the City of Edmonton will step forward as an ICI "pilot" site ahead of any citywide implementation within the sector.

Getting the City organization ready to adapt to new practices aligns with current work on its Sustainable Building Policy C532 which states: "the City will demonstrate excellence in sustainable practices in existing City-Owned Buildings and City-occupied buildings through the establishment of a BOMA BEST certification program". BOMA BEST is a sustainability certification focused on improving the environmental performance of a building's operations and maintenance. Implementation of this program began in 2018 with the certification of five City-owned buildings: City Hall, Century Place, Clareview Community Recreation Centre, Kinsmen Sports Centre and Terwillegar Community Recreation Centre.

As a part of the certification process, waste audits were performed at these buildings by a consultant and a template for Waste Reduction Work Plan was developed based on the audit recommendations and practices suggested by BOMA BEST. As BOMA BEST is rolled out, development of a citywide waste reduction plan for civic operations will be developed to help improve each building's waste management

practices, with the target being readiness for a full source separated organics program by September 2020.

Starting in January 2019, the BOMA BEST implementation team began working with the Waste Services team to align the Rethinking Waste Strategy for the City's corporate operations with BOMA BEST requirements, with the ultimate goal of implementing a citywide waste reduction plan by fall 2020. This will also help to complete the BOMA BEST certification of the five pilot buildings and of future buildings.

In addition, the City is seen as positioned to have an impact by adapting its own procurement decisions, which can potentially create market opportunities. Administration will explore potential market opportunities that the City can help to nurture in conjunction with its strategic shifts.

## **6. The City should work with industry representatives to set diversion targets and methodology**

During conversations with the industry representatives, it was clear that there is not a clearly accepted methodology for measuring waste diversion, or even whether diversion is accepted as the most impactful measure. At the same time, ICI engagement respondents indicated generally positive support for adopting a Zero Waste Framework. As part of Phase 2 strategy development, Administration will further engage industry to assess and recommend diversion targets for the ICI sector.

## **7. There is a desire to advance changes regionally**

ICI respondents were clear that change to waste processes are more effective if models adopted are in alignment with those adopted by other jurisdictions (such as the City of Calgary). Further, any changes advanced in Edmonton should be undertaken regionally if possible, to ensure that all businesses in the region are asked to operate under the same conditions to the greatest extent possible.

## **Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): Edmonton is an environmentally sustainable and resilient city</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
The City of Edmonton's operations are environmentally sustainable	Overall Customer Satisfaction with Edmonton Waste Management Centre	2015 - 67%	2019 - 75%
The City of Edmonton has a resilient financial position	Net Income (all business lines)	(\$6.2 million) Since 2012	Break-even 2020

Edmonton is an environmentally sustainable and resilient city	Tonnes of non-residential waste diverted from landfill	2016 - 55,000 tonnes	2018 - 70,000 tonnes
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### Attachments

1. Results of RFEOI - Private
2. Next Steps - Private

### Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- P. Ross, Acting Deputy City Manager, Urban Form and Corporate Strategic Development