

# Responses to City Council Questions on the 2016-18 Proposed Utility Budget

**The following report is sorted  
alphabetically by councillor.**

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Knack

**Question #:** 16-001U

**Budget Page #:** 8

*At the August 27th Utility Committee meeting it was discussed that Drainage Services would do their best to minimize the need to use consultants for our Drainage Renewal Program. Therefore can you provide a detailed breakdown of the proposed External Services costs and why it is not possible to hire additional people within the City of Edmonton?*

**Question Answer:**

The breakdown of the proposed "External Services" budget includes:

2016: \$70.3M (86%) Contractors & \$11.1M (14%) Consulting

2017: \$77.1M (87%) Contractors & \$11.6M (13%) Consulting

2018: \$66.4M (86%) Contractors & \$11.0M (14%) Consulting

This budget has included a request to increase the number of FTEs in order to add capacity to our current workforce. At the same time, we makes a business decision to use external consultants considering many factors as detailed in a report to the Utility Committee on April 30, 2015. Administration will continue to monitor and adjust the amount of work done using in-house resources and external consultants based on the needs and requirements of the capital programs to ensure effective and efficient delivery

## 2016-18 Utility Budget Questions By Councillor

External Services (000's)				
	2015	2016	2017	2018
Consultant	8,833	11,111	11,583	11,022
Contracting	63,259	70,327	77,066	66,350
<b>Total</b>	<b>72,092</b>	<b>81,438</b>	<b>88,649</b>	<b>77,372</b>
Consulting % Total	12%	14%	13%	14%
Contracting % Total	88%	86%	87%	86%
	100%	100%	100%	100%

**Branch:** *Drainage Services*

**Asked By:** *Councillor Knack*

**Question #:** *16-002U*

**Budget Page #:** *122*

*Why not increase the FTE count for Public Services instead of paying more in overtime?*

**Question Answer:**

One FTE was added for 2015 to our Lot Grading Inspectors in Public Services. This work is driven by the economy and the amount of development that occurs. It is anticipated that development will slow down in 2016 resulting in less inspections for 2017 and 2018. By using overtime and a temporary position in 2016 we can get through this peak time, and when development slows down rather than having too many FTE's and inspections are lower we can manage them with less overtime. We will continue to monitor the workload in this area and adjust the FTEs required in later years.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Waste Management Services

**Asked By:** Councillor Knack

**Question #:** 16-003U

**Budget Page #:** 287

*Please elaborate on the need to improve our cash balance?*

**Question Answer:**

Cash is a key factor in long-term success and financial sustainability of the Utility as a key indicator of financial health. Cash balance creates flexibility for the Utility to manage all four financial indicator Targets as per Waste Management Utility Fiscal Policy C558A. Having cash puts the Utility in a more stable position with better buying power, providing greater protection against loan default or having to approach the City of Edmonton for bridge funding of costs. Key reasons why an improved cash balance is important:

(1) Cash Flow: On-going ability to generate and use cash; satisfy the cash inflow and cash outflow needs; and flexibility for special opportunities (pay down debt or investment of excess funds).

(2) Capital Expenditure Investments and Growth: Reinvestment in the Utility; funding obtained through loans result in additional expenses (interest), decreased net position and additional cash requirements for repayment of loans; and implementation of capital plan, funding assets with less than 10 year life must be cash as per Fiscal Policy.

(3) Survival During Down Economies: During down turn in economy, revenue can decrease, with cash the Utility will be more flexible and better able to survive a downturn.

(4) Cash As A Precaution and Minimize Risk: Emergency fund ; satisfy short term obligations, If cash inflows are not received as expended; and cover unanticipated costs like legal fees, unexpected occurrences like equipment failure or unexpected severe weather.

Waste Management Services is keenly aware of the risks associated with not maintaining adequate cash balances and is working to ensure this does not continue into the future. To address concerns with meeting the cash balance target in the short term, a loan from the City of Edmonton was approved in the 2015 Operating Budget. This was to ensure non-regulated losses do not further affect cash balances by allowing the Utility to draw on this operating loan.

The recent updates to the Fiscal Policy for cash balance forced a long term perspective to ensure a fiscally sound future by incorporating pay as you go into setting cash targets. A marketing plan is being established to address decreases in volume for revenue at the Edmonton Waste Management Centre during construction of the Anthony Henday. This plan will achieve improved operating results.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Oshry

**Question #:** 16-031U

**Budget Page #:** 18

*Indicates that sewer upgrades will require exponential increases between 2016 and 2018. (from \$258 000 to \$2 652 000 in 2017 and \$12 020 000 in 2018) Does this reflect a specific project being undertaken at that time, or a number of areas that will require maintenance at the same time?*

**Question Answer:**

This question refers to a capital budget item that was approved as part of the 2015 to 2018 Capital Budget.

The 2017 and 2018 budgets are for capital upgrading projects in 1 to 2 neighbourhoods each year (construction activity) whereas 2015 and 2016 budgets reflect the concept and design phase. This capital profile is intended to address pipe capacity issues at a neighbourhood level. The Neighbourhood Renewal focuses on "like for like" and this program will address the identified infrastructure capacity needs.

**Branch:** Drainage Services

**Asked By:** Councillor Oshry

**Question #:** 16-032U

**Budget Page #:**

*Will the increased sewer upgrades budget account for the aging trunk lines on the west end (sewer asset renewal)?*

**Question Answer:**

Sewer Upgrading focuses on the neighbourhood level, and strategic alignment with Drainage Neighbourhood Renewal Program, Opportunistic Sewer Separation, and Neighbourhood Flood Prevention. Trunk Rehabilitation is under Structure Rehabilitation Program, which primarily addresses the physical condition related issues.

Drainage has a trunk sewer rehabilitation proactive inspection plan that includes sewers in the west end. The results of this will identify further renewal work in the trunk system.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Oshry

**Question #:** 16-033U

**Budget Page #:** 42

a. How will the gap in the sewer inspection team capacity be addressed (# of FTEs), and have existing vacancies been filled on this team?

b. How does this reflect the Utility Advisor's recommendation (p.42) to "slow down the addition of new employees, and find additional economies of operation"?

c. {How} will additional metrics and benchmarking on FTEs be implemented (as per recommendation {iv})?

## Question Answer:

a. Drainage Services has two major types of maintenance inspections: CCTV and deep trunk sewer man crew inspection and both are fully staffed. We have identified the need for another deep trunk sewer inspection crew (6 man crew + 2 vehicles) so as the gap on preventative maintenance of deep trunk sewers can be addressed. Additional budget is requested in this Utility budget. All positions are currently filled and there are no vacancies.

b. We are adopting an alternate approach to deep sewer line inspections where we look at a combination of factors in a risk based approach to deploy our inspection resources. This will optimize the utilization of the resources we have and assist in further research in advanced technology to perform these inspections.

c. Please refer to 16-017U.

**Branch:** Drainage Services

**Asked By:** Councillor Oshry

**Question #:** 16-034U

**Budget Page #:** 18

*Drainage System Expansion: Servicing for Downtown intensification - 2017 budget reflects an 8 x increase over 2016. Is this amount related to servicing demands for new downtown projects which have already been approved (shovel-ready), or is it a projection of servicing needs?*

## Question Answer:

The Downtown Tunnel project is funded primarily through the CRL and the balance through the utility rate. The tunnel will partially separate areas outside of the CRL and the funding for this component is reflected in this profile.

Servicing for Downtown Intensification (15-23-9415) budget was for design and construction of 105 Ave storm lateral (112 St - 105 St). This project was prioritized to coordinate with transportation streetscaping project schedule along 105 Ave. The schedule and corresponding cash flow was to coordinate with 105/107 Street tunnel (100 Ave - 111 Ave) as well as Transportation schedule: \$500K for design in 2015; \$1M for completion of design and start construction 2016; and \$14.5M for full construction in 2017 and 2018.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Waste Management Services

**Asked By:** Councillor Oshry

**Question #:** 16-035U

**Budget Page #:** 43

*Utility Advisor's Report: (p. 43) recommends that "opportunities to increase the capitalization of the Waste Management Utility should be considered" in the medium- to long-term - what does this refer to? Can you provide an example of the implications?*

**Question Answer:**

The challenge of being undercapitalized for the Waste Management Utility is achieving financial sustainability. Referring to Page 283, Schedule 6.0 Financial Indicators, Scenario 1, Waste Management Services will not meet the Financial Indicators Targets of actual cash and the debt to net asset ratio in the near future.

The Utility continues to consider opportunities to increase its capitalization and resulting effects on its Financial Indicators Targets. Under the current business plan projections and assumptions, by receiving a \$38.1 million grant, the debt to net asset target would be achieved in 2016 but would not be sustained in the years thereafter. A \$48.7 million grant would ensure debt to net asset targets are maintained for the ten year horizon, with actual cash target achievement by 2018 as well as stable, consistent rate increases starting in 2019.

The risk of not addressing the undercapitalization in the short term is the compromise of the achievement of Waste Management Utility's Financial Indicator Targets and health.

The short term strategy to manage the Utility with lower cash balances results in debenture borrowing being maximized for capital investments. This strategy impacts future years through increased debt levels and would result in greater interest expense, lower net income and ultimately higher rates to customers. As such, the compromise is delaying the achievement of the debt to net asset target over a longer term of ten years.

The Utility's long term strategy to improve its Financial Indicator Targets emphasizes prudent fiscal practices. This approach includes consistent and constant rate increases, optimizing capital funding strategies, and initiating a marketing plan to increase several revenue sources at the EWMC. The branch continues to seek additional operational efficiencies to improve its financial sustainability.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Waste Management Services

**Asked By:** Councillor Oshry

**Question #:** 16-036U

**Budget Page #:** 43

*The Advisor also recommends a "more sophisticated risk allowance calculation" (iii), p. 43). How is the current calculation determined and to what scenarios is it applied?*

**Question Answer:**

As per Waste Management Utility Fiscal Policy C558A adopted by City Council September 23, 2014:

To "ensure the Utility is financially sustainable over the long term" and "that there is a consistent approach year over year for financial planning, budgeting and rate setting" the Fiscal Policy established Financial Indicators to measure the financial health of the Utility. The Financial Indicator targets are:

1. Positive Net Income
2. Target Cash Position
3. Stable Consistent Rate Increases
4. Debt to Net Assets Ratio between 50% and 70%

The composition of Target Cash Position = Pay As You Go (cash funding) required as per the Capital Plan + an amount to mitigate risk exposures as identified in Fiscal Policy C558A

The "amount to mitigate risk exposures" is the Risk Allowance.

Risk Allowance does not affect regulated Utility rates directly; it is a component of the Target Cash Position for the Financial Indicators. The same Risk Allowance is used in each scenario.

The factors considered in calculation of this number are:

- (A) Revenue risks tied to activities other than customer rate
- (B) Expenditure risks tied to uncertainty of actual operating costs associated with waste diversion facilities
- (C) Risk exposures from the recyclable markets and
- (D) Contingency for new facilities upon commissioning where new technology is deployed

As per the recently adopted Waste Management Utility Fiscal Policy C558A (adopted by City Council September 23, 2014), and in congruence with meetings between Waste Management Services and the Utility Advisor, the following approach will be utilized in calculating the risk allowance:

"The risk exposures to be mitigated based upon the 4-year average of the pricing from the recyclable markets, 4-year average of residential waste volume generation, and a declining 3-year contingency for new facilities upon commissioning where new technology is deployed." In support of the Utility Advisor's recommendation, Waste Management Services will add another layer of analysis to the calculation to include probability, volatility and exposure of each risk. Analysis will be completed from the perspective of likelihood, and best practices throughout the corporation will be leveraged. This will ultimately strengthen the financial indicator for the Utility.



# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-004U

**Budget Page #:**

*In question 15-042U of last year's Utilities Budget written questions, I asked about a number of drainage projects in Ward 10. Can you please provide as update as to whether these projects are on time?*

**Question Answer:**

CM-31-9611 Expanded Neighbourhood Flood Mitigation Program:

- Aspen Gardens Forcemain Diversion: On-Time (construction to be completed in 2016)
- Aspen Garden Sanitary Relief: On Time (construction to be completed in 2016)
- Greenfield Sanitary Relief (east): On-Time (design to start in 2017 and construction in 2019)
- 48/49 Avenue Sanitary Relief: On-Time (design to start in 2020 and construction in 2022)
- 51 Avenue Alley Sanitary Relief: On-Time (design to start in 2020 and construction in 2022)
- 113 A Street Sanitary Upgrade (north & south): On- Time (design to start in 2016 and construction in 2018)
- Westbrook Dry Pond: Phase1 (smaller pond) completed in 2014. Phase 2 (Expanded pond) to be completed in 2016. To be completed by the Derrick Golf Course.
- Fairview Drive Sanitary Upgrade: On-Time (design to start in 2020 and construction in 2022)
- Westbrook Drive Sanitary Upgrade: On-Time (design to start in 2020 and construction in 2022)
- Parkallen Dry Pond: On-Time (design to start in 2018 and construction in 2020)

CM-31-9511 Neighbourhood Flood Prevention Program:

- 106 Street from 29 Avenue to 34 Avenue Sanitary Sewer Upgrade: On-Time (design to start in 2017 and construction in 2018)
- 104 Street Sanitary Sewer Upgrade in Empire Park: On-Time (design 2018 and construction in 2020)
- Storm and Sanitary Sewer Upgrade on 106 Street from 42 Avenue to Whitemud Drive & 42 Avenue from 106 Street to 107 Street: On-Time (design 2016 and construction in 2018)
- Storm Sewer Upgrade on 32 Avenue west of 109 Street to 111 Street: On-Time (design to start in 2016 and construction in 2019)

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-005U

**Budget Page #:** 4

*How many neighbourhoods, and which neighbourhoods, are anticipated to see benefits from the anticipated \$102 million in increased investment over the next 10 years to our Drainage Capacity Implementation Plan?*

**Question Answer:**

A 10 year capital program considers the system as a whole rather than specific neighbourhoods. As we mature our strategies and programs new information is used to refine and justify the projected budget needs in a particular business segment ie Flood Mitigation 2019-2022 budget cycle currently includes the following neighbourhoods;

- Bellevue, Dovercourt, McQueen, Newton, and Queen Mary Park as part of the Opportunistic Flood Mitigation Program
- Richfield, Landsdowne, Westbrook, Lee Ridge, Tweedle Place and Michaels Park as part of the Expanded Flood Mitigation Program

Further prioritization will take place for other neighborhoods in the City-Wide Flood Mitigation Study.

The Drainage Capacity Implementation Plan is an initiative that is currently being worked on by Administration. The Flood Mitigation is one of the four programs that are being reviewed as part of this initiative. Other programs include: Neighbourhood Renewal, System Rehabilitation, and Sanitary Servicing Strategy. The four programs will focus on three main areas specific to capacity, processes and delivery approach.

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-006U

**Budget Page #:**

*Which mature neighbourhoods in the City of Edmonton are currently at 1:100 level of service? Is there an anticipated timeline/plan to complete the balance of work to achieve a 1:100 level for all mature neighbourhoods? Has this been preliminarily budgeted?*

**Question Answer:**

Mature neighbourhoods in west and south-central Edmonton, as well as Mill Woods have areas that have been upgraded to the 1:100 year level of service. The areas most affected by extreme storm events in the mature neighbourhoods have had improvement projects to bring these affected areas to a 1:100 year level of service. Neighbourhoods that contain these areas are: Satoo, Malmo Plains, Lendrum Place, Aldergrove, Lynnwood, Parkview, Belgravia, Terra Losa, Pleasantview, Belmead, and McKernan. As projects in the Mill Woods, west, and south-central Edmonton areas are completed, the percentage of mature neighbourhoods with areas that have a 1:100 year level of service will increase.

The city-wide implementation strategy is currently in the concept assessment phase, with all neighbourhood improvements ranked by the end of 2017. It is anticipated that the timeline to bring all mature neighbourhoods up to the 1:100 year level of service is 50-100 years, depending on factors such as funding availability.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-007U

**Budget Page #:**

*Are our new suburban neighbourhoods being designed and built at a 1:100 level of service?*

**Question Answer:**

Yes. The infrastructure is designed to manage flooding to a 1:100 year level of service.

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-008U

**Budget Page #:** 91

*When will the first draft of the Drainage Capacity Implementation plan be available and how is it anticipated that this plan will aid us in expediting flood mitigation throughout the City? To what level of detail can we expect in the first draft?*

**Question Answer:**

The Drainage Capacity Implementation Plan (DCIP) will be integrated in the 2017-2019 Drainage Business Plan. DCIP will identify, evaluate and recommend opportunities to increase capacity, improve processes and better delivery approach. All these will prepare Drainage Services in meeting the growing needs of its 10 year capital programs, including the Flood Mitigation Program. It is anticipated that a 3-year action plan will be developed.

**Branch:** Waste Management  
Services

**Asked By:** Councillor Walters

**Question #:** 16-009U

**Budget Page #:**

*Please provide a best case, conservative and worst case estimate as to when it is anticipated that we will achieve a 90% diversion rate as per the target?*

**Question Answer:**

The best case scenario is that the 90% diversion of residential waste from landfill will be achieved in 2018, after a full year of operation of the Anaerobic Digestion Facility and full production of the Waste to Biofuels Facility.

A conservative scenario is that the 90% diversion will be achieved in 2020, after a few years of operation to work out the challenges of these new processes.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-010U

**Budget Page #:**

*Do the recent changes to our RF1 Single Family zoning threaten our drainage capacity? If possible, can you please provide a high level estimate for each neighbourhood in Ward 10 as to the number of additional homes that can be built before the drainage system reaches capacity?*

**Question Answer:**

No. Drainage works in conjunction with the Sustainable Development Department to assess impacts of increased density and infill. This becomes a scenario when we conduct studies on neighbourhood infrastructure. With respect to the RF1 zoning there would be minimal impact to wastewater or storm water drainage as the site coverage would not necessarily increase and the maximum 2 units on the site would remain the same.

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-011U

**Budget Page #:**

*In the budget from Drainage Services, the following FTE service needs have been identified:*

2016 - 35 FTEs

2017 - 9 FTEs

2018 - 8 FTEs

*Can you please provide an explanation as to why the identified FTEs for the next three years of operating is heavily front loaded? Additionally, does Drainage Services & Utilities anticipate that the number of FTEs required for 2017 and 2018 respectively will need to be updated at some point during a supplementary budget update?*

**Question Answer:**

The 2016 FTEs request is front loaded in order for Drainage Services to catch up with existing service requirements.

There may be a need to update the 2017 and 2018 budgets as the impact of the capacity analysis and flood mitigation strategy are finalized. If necessary, these will be brought forward as part of a will most likely need to be updated (increased) and will be brought forward to Utility Committee during a supplementary budget update.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Waste Management Services

**Asked By:** Councillor Walters

**Question #:** 16-012U

**Budget Page #:**

*In the budget from Waste Management Services, the following FTE service needs have been identified:*

2016 – 23.7 FTEs

2017 – 14.7 FTEs

2018 – 3.2 FTEs

*Can you please provide an explanation as to why the identified FTEs for the next three years of operating is heavily front loaded? Additionally, does Drainage Services & Utilities anticipate that the number of FTEs required for 2017 and 2018 respectively will need to be updated at some point during a supplementary budget update?*

**Question Answer:**

Referring to the Summary of Additional Resources on Page 292 and the Appendices for detailed justification within the 2016 – 18 Utility Budget document, the requested additional FTE's in each of the years are based on the projected specific needs including the full operation of the Waste to Biofuels Facility, the evolution of the EWMC to a fully operational site, and increasing commercial accounts.

**Branch:** Waste Management Services

**Asked By:** Councillor Walters

**Question #:** 16-013U

**Budget Page #:**

*Can you please provide the cost difference between the collection of refuse & recyclables for 100 single-detached homes vs. the cost of 100 multi-family homes?*

**Question Answer:**

The operating cost to provide collection service to 100 single family detached homes is approximately \$13,000/year. The operating cost to provide automated collection services to 100 multi-family units is approximately \$7,800/year. The cost difference reflects the different collection methods and a lower waste generation rate for multi-family units.

**Branch:** Waste Management Services

**Asked By:** Councillor Walters

**Question #:** 16-014U

**Budget Page #:**

*What is the difference in the productivity target per week for one FTE for curbside waste collector and one multi-family waste collector in terms of tonnage and number of units served?*

**Question Answer:**

Curbside Collections performance targets are set at 2,000 homes per week and an average 35 tonnes per week for waste and recycling. Multi-family crews (2 FTE/truck) service approximately 6000 units/week averaging 70 tonnes per week.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-015U

**Budget Page #:** 18

*Why is there no Opportunistic Flood Mitigation in 2016-2018 and then again in 2022-2025?*

**Question Answer:**

The Opportunistic Flood Mitigation Program solely depends on the availability of surplus school sites that can be developed as stormwater management dry ponds. Information available to Drainage Services indicates that only 5 suitable school sites will be surplus in the next 5 years. In the event that these sites become available sooner, a supplementary budget adjustment will be required to acquire and develop these sites. After 2021, it is anticipated that the Opportunistic Flood Mitigation Program will be absorbed into a City-Wide Flood Mitigation Program, which is currently under development.

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-016U

**Budget Page #:**

*Have we experienced difficulties overseeing contracted services? If so, what steps are we taking to improve our relationship with contractors and their practices/performance?*

**Question Answer:**

We have been experiencing some challenges (it is not pervasive) with our contracted construction services. These challenges involve: understanding and being sensitive to the needs & expectations of the public, understanding the processes and procedures when working for the City of Edmonton and managing their work to complete it within the schedule.

The relationships between construction contractors and City of Edmonton staff are developed and maintained at both the management level and at the field level. At the management level, the City meets with industry associations (e.g. Alberta Roadbuilders and Heavy Construction Association, Edmonton Construction Association) and with individual contractors. At the field level, individual City project management staff develop their relationships with their contractor counterparts through interactions on current and past projects.

Drainage Services is also planning the following: 1) having a meeting, during the off-season, where both management and field staff are present to discuss these challenges and to work together to make improvements for next construction season, 2) having project managers spend more time in the field to monitor project progress and work with contractors in a more timely manner to address any issues.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-017U

**Budget Page #:** 43

*In recommendation 4.1, the Utility Advisor “encourages management to seek continuing improvement in Capital Business Cases.” What steps have we taken to implement this recommendation?*

**Question Answer:**

Administration will continuously work to improve on the Business Cases on an ongoing basis to provide more metrics and benchmarking solutions while we consider to justify the needs for our FTEs and business cases in general.

Additionally, we will be looking into our business process and applying the lean methodology and principals to ensure that our business and the requests that are being made through future business cases are effective and efficient.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Waste Management Services

**Asked By:** Councillor Walters

**Question #:** 16-018U

**Budget Page #:** 43

*In recommendation 4.3, the Utility Advisor recommends, "that Waste Management invest some additional time and resources into researching and implement a more sophisticated risk allowance calculation." Describe how you propose to respond to this recommendation.*

**Question Answer:**

As per Waste Management Utility Fiscal Policy C558A adopted by City Council September 23, 2014:

To "ensure the Utility is financially sustainable over the long term" and "that there is a consistent approach year over year for financial planning, budgeting and rate setting" the Fiscal Policy established Financial Indicators to measure the financial health of the Utility. The Financial Indicator targets are:

1. Positive Net Income
2. Target Cash Position
3. Stable Consistent Rate Increases
4. Debt to Net Assets Ratio between 50% and 70%

The composition of Target Cash Position = Pay As You Go (cash funding) required as per the Capital Plan + an amount to mitigate risk exposures as identified in Fiscal Policy C558A

The "amount to mitigate risk exposures" is the Risk Allowance.

Risk Allowance does not affect regulated Utility rates directly; it is a component of the Target Cash Position for the Financial Indicators. The same Risk Allowance is used in each scenario.

The factors considered in calculation of this number are:

- (A) Revenue risks tied to activities other than customer rate
- (B) Expenditure risks tied to uncertainty of actual operating costs associated with waste diversion facilities
- (C) Risk exposures from the recyclable markets and
- (D) Contingency for new facilities upon commissioning where new technology is deployed

As per the recently adopted Waste Management Utility Fiscal Policy C558A (adopted by City Council September 23, 2014), and in congruence with meetings between Waste Management Services and the Utility Advisor, the following approach will be utilized in calculating the risk allowance:

"The risk exposures to be mitigated based upon the 4-year average of the pricing from the recyclable markets, 4-year average of residential waste volume generation, and a declining 3-year contingency for new facilities upon commissioning where new technology is deployed." In support of the Utility Advisor's recommendation, Waste Management Services will add another layer of analysis to the calculation to include probability, volatility and exposure of each risk. Analysis will be completed from the perspective of likelihood, and best practices throughout the corporation will be leveraged. This will ultimately strengthen the financial indicator for the Utility.



# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-019U

**Budget Page #:**

*Do we use different methods to assess book value and depreciation of contributed assets and non-contributed assets?*

**Question Answer:**

Yes. Tangible capital assets (non-contributed assets) are recorded at cost which is the amount the Utility incurs for the construction of the asset. Contributed tangible assets are recorded at their fair value at the date of the contribution. In most cases the estimated fair value for contributed assets is based on actual costs incurred by the developer to construct the asset plus any other directly attributable costs incurred by the developer to get the asset in service. Book value of the contributed and non-contributed assets at any given reporting period is actual cost net of accumulated depreciation of the asset over its useful life. The book value is not reflective of replacement value. Legislative financial reporting is based on public sector accounting standards in Canada.

**Branch:** Waste Management  
Services

**Asked By:** Councillor Walters

**Question #:** 16-020U

**Budget Page #:** 342

*As we continue to strive towards a One City approach, can you please rationalize the anticipated benefits of having a separate Public Information Officer as opposed to a member of our Corporate Communications staff?*

**Question Answer:**

This position will provide a full range of communication support including print and video production, advertising, web support and social media and is required due to the growth in programs and population. This Public Information Officer will be included in the Communications Branch compliment if approved, and will be funded by the Waste Utility which has been discussed with the Communications Branch. If approved the FTE will be transferred to communications.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Waste Management Services

**Asked By:** Councillor Walters

**Question #:** 16-021U

**Budget Page #:** 49

*The utility Advisor identified the challenges resulting from Council's initial undercapitalization of waste management utility; it is specifically undercapitalized as stated on page 44 by \$48.7 million. What are the long-term risks of not addressing this undercapitalization in the short term? How can a robust and aggressive marketing campaign to non-residential customers after the completion of Anthony Henday aid in offsetting this undercapitalization?*

**Question Answer:**

The challenge of being undercapitalized for the Waste Management Utility is achieving financial sustainability. Referring to Page 283, Schedule 6.0 Financial Indicators, Scenario 1, Waste Management Services will not meet the Financial Indicators Targets of actual cash and the debt to net asset ratio in the near future.

The Utility continues to consider opportunities to increase its capitalization and resulting effects on its Financial Indicators Targets. Under the current business plan projections and assumptions, by receiving a \$38.1 million grant, the debt to net asset target would be achieved in 2016 but would not be sustained in the years thereafter. A \$48.7 million grant would ensure debt to net asset targets are maintained for the ten year horizon, with actual cash target achievement by 2018 as well as stable, consistent rate increases starting in 2019.

The risk of not addressing the undercapitalization in the short term is the compromise of the achievement of Waste Management Utility's Financial Indicator Targets and health.

The short term strategy to manage the Utility with lower cash balances results in debenture borrowing being maximized for capital investments. This strategy impacts future years through increased debt levels and would result in greater interest expense, lower net income and ultimately higher rates to customers. As such, the compromise is delaying the achievement of the debt to net asset target over a longer term of ten years.

The Utility's long term strategy to improve its Financial Indicator Targets emphasizes prudent fiscal practices. This approach includes consistent and constant rate increases, optimizing capital funding strategies, and initiating a marketing plan to increase several revenue sources at the EWMC. The branch continues to seek additional operational efficiencies to improve its financial sustainability.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-022U

**Budget Page #:** 96

*Can you please comment on any changes that may result from a slowing economy specifically related to materials and labour?*

**Question Answer:**

For construction materials, the slowing economy could drive prices lower. However, recent review on material prices in our outline agreements indicates that there is no substantial changes to prices. In addition, due to weaker Canadian dollar, the costs for equipment replacement etc. that purchased from US have seen significant price increase.

For internal construction, labour costs is as per collective agreement therefore there is no reducing of labour cost.

Based on our smaller open cut projects that are contracted out, we are getting better pricing for our contracts.

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-023U

**Budget Page #:**

*Are we increasing staffing to a sufficient level that will address the anticipated service demands stemming from lot grading inspections of infill developments?*

**Question Answer:**

Addressed in question 16-002U

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-024U

**Budget Page #:**

*There are currently three neighbourhoods in Ward 10 that are slated for Neighbourhoods Renewal (Royal Gardens, Lansdowne & Allendale).*

*Can you please provide me with information relating to the planned drainage projects that have been/are planned to be completed before the transportation infrastructure in these neighbourhoods is to be addressed?*

**Question Answer:**

Drainage renewal works are coordinated with transportation in the three neighbourhoods:

- Royal Gardens: renewal work started this year (on-going)
- Lansdowne: Renewal work started in 2014 and will be completed in 2015
- Allendale: renewal work to start in 2016

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-025U

**Budget Page #:**

*There are currently three neighbourhoods in Ward 10 that are slated for Neighbourhoods Renewal during the 2019-2022 Capital Budget (Grandview Heights, Malmo Plains and Empire Park).*

*Can you please provide me with information relating to the planned drainage projects that have been/are planned to be completed before the transportation infrastructure in these neighbourhoods is to be addressed?*

**Question Answer:**

Drainage renewal works are planned for the three neighbourhoods in coordination with transportation.

- Malmo Plains: renewal work to start in 2017
- Elmwood Park and Grandview Heights: renewal work to start in 2018

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-026U

**Budget Page #:**

*How does this budget invest in innovation in storm water management? How does budget make our City more resilient to the affects of climate change?*

**Question Answer:**

This budget puts a stronger emphasis on implementing sustainable (green) infrastructure as part of the River for Life strategy and other environmental quality enhancements. River for Life advocates the removal of stormwater pollutants at the source, whereas traditional solutions focus on treatment of water pollutants at downstream, centralized facilities. Implementing source control features as demonstrations sites in colder climates allows the City to improve future designs making them more robust. The bulk of the existing design knowledge is based on moderate to warm climates. This budget also strives to implement features at stormwater management facilities, when applicable.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-027U

**Budget Page #:**

*How are we utilizing the growing body of research in innovation and/or examples of innovation in storm water management across the world at the neighbourhood retrofit level and for greenfield development?*

**Question Answer:**

The City continues to collaborate with the University of Alberta to refine design requirements and future site decision making.

Works in the Trumpeter, Starling, and Blatchford developments are examples where bioretention, bioswales, and/or soil cell stormwater features are implemented in coordination with greenfield developers. Similarly, the City continues to pursue innovative stormwater features through re-development/retrofit. Examples include dry/wet pond retrofits (e.g. Prince Rupert, Duggan), living wall demonstrations (e.g. Tweddle Place), corridor streetscaping (e.g. Jasper Avenue, 105 Avenue), and City-owned lands (e.g. Muttart Conservatory, Eastgate Building, Surplus School Sites),

A noted challenge with transferring international designs is that the design is climate specific, which means performance monitoring is needed to improve an Edmonton-specific design for added robustness.

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-028U

**Budget Page #:**

*Can you please expand upon your explanation in the sharp increase in the number of mechanical stations needed in the City of Edmonton, and provide the associated staffing costs for these subsequent stations?*

**Question Answer:**

The expansion of the City up to recent times has been serviced by gravity sewers, except for small pockets of low lying land where a pump station was required (e.g. Cloverdale, Riverdale). Sewers leading from the Gold Bar Wastewater Treatment Plant to developments have been constructed at gentle slopes to service the various areas of the City. Even at gentle slopes, these sewers are now extending through very long distances to a point where they are now too shallow to service many parts of the expanding city. Mechanical pump stations are required in these new areas (e.g. Big Lake, Chappelle, Keswick) to lift the sewage and push it to the nearest available gravity sewer trunk.

# 2016-18 Utility Budget Questions By Councillor

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-029U

**Budget Page #:**

*With the new Federal and Provincial governments, what are the specific opportunities that may exist for the municipalities to engage with them to build a more integrated policy and funding framework aimed at mitigating flooding and adapting to the affects of climate change?*

**Question Answer:**

In order to engage with partner governments it is important to understand the government's philosophy, platform, and anticipated direction on the issues relative to flood mitigation and climate change. This requires research, information gathering and analysis and its important to know how municipalities, and more specifically the City, can best align with these.

Drainage Services along with Intergovernmental & External Affairs and other City Departments will work in collaboration with partner governments to develop a strategy and explore potential engagement opportunities which may assist in influencing policy and funding strategies.

**Branch:** Drainage Services

**Asked By:** Councillor Walters

**Question #:** 16-030U

**Budget Page #:** 214

*Considering Council's commitment to expanded flood mitigation projects, can you please describe the advantages and disadvantages of doubling the number of FTEs requested from pages 214-270 to do the work associated with flood mitigation?*

**Question Answer:**

Currently, the request of FTE's are determined primarily on the business needs to provide the existing services. In accordance with the Utility Fiscal Policy a balance is taken into account to ensure that the rate increase is minimal and the Debt to Net Asset ratio is within 50-70%.

The Drainage Capacity Implementation Plan is an initiative that is currently being worked on focusing on the following programs: Neighbourhood Renewal, System Rehabilitation, Flood Mitigation and Sanitary Servicing Strategy. The four programs will focus on three main areas specific to capacity, processes and delivery approach. Administration is finalizing the strategy and developing action plans that will be presented on an annual basis through the Drainage Services Business Plan. As we get more clarity and understanding through this initiative, we will be able to advise on FTE requirements to fulfill Council's commitment to the expanded Flood Mitigation program