

Responses to City Council Questions on the Proposed Utility Budget

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

Utility Budget Questions By Branch

Branch: Drainage Services

Asked By: Councillor Leibovici

Question #: 12-007U

Budget Page #: 63

As the Flood Prevention program is nearing completion, and the average amount of neighbourhood renewal has remained constant, why are 10 FTE's required?

Question Answer:

Drainage Services is recommending 14 new Full Time Equivalent (FTE) positions (10 FTE in the Sanitary Utility and 4 FTE in the Stormwater Utility) in 2012 to continue to meet the public service demands to operate and maintain the City of Edmonton's aging sanitary sewer and storm drainage facilities and assets, address increased public service demands, and continue to comply with Provincial environmental regulations.

The position breakdown is as follows:

-6 FTE's to provide preventative maintenance for Pump Station facilities and assets. Preventative maintenance of aging drainage assets in pump wells and blocked sewers can avoid significant public service disruptions by way of backed-up sewers and flooded basements, and avoid regulatory non-compliance by way of untreated sewage discharge into water courses.;

-5 FTE's to provide repairs to manhole and catch basin frames, system and sewer pipe condition - assessment, front-line preventative maintenance supervision for sewer pipes, and labour management supervision;

-2 FTE's to effectively manage Flood Proofing Program service requests and address residential sewer trouble calls.

-1 FTE to provide facility monitoring of storm water lakes in response to recreational use of these facilities

Utility Budget Questions By Branch

Branch: Drainage Services

Asked By: Councillor Leibovici

Question #: 12-008U

Budget Page #: 137

Please indicate how the 20 neighbourhoods for renewal were chosen as compared to the 13 neighbourhoods (funded) and the 2 neighbourhoods (unfunded), pg. 415 Capital Budget Project Profile book.

Question Answer:

The question links the Drainage Neighbourhood Renewal Program on page 137 of the 2012 City Council Utility Budget Discussions Binder with the Transportation Neighbourhood Renewal Program documented on page 415 of the Capital Budget Project Profile book. Neighbourhood Program Coordination involves Drainage Services and Transportation Services, EPCOR and ATCO meeting on a regular basis to discuss and coordinate the Neighbourhood Renewal Program schedules.

Drainage Services utilizes computer simulation to prioritize each neighbourhood for renewal. The prioritized neighbourhood list is then reviewed with Transportation Services to determine opportunities for coordination so that renewal works on underground utilities can be completed before any pavement reconstruction works begin.

The Transportation Neighbourhood Renewal Program locations are selected based on the condition of the roads, sidewalks and street lighting, and refined based on factors including coordination with underground utility works, geographic locations and the opportunity to establish long term contracts for reconstruction work.

Every effort is made to efficiently schedule neighbourhood priorities based on condition. When neighbourhood roadway and drainage infrastructure requires renewal, coordinated schedules are developed to ensure that Drainage works are completed prior to starting roadway reconstruction works.

As a result, since capital priorities are approved on a three-year cycle, some drainage renewal neighbourhoods are funded in 2012 to 2014 but these neighbourhoods do not appear in the same period of Transportation Services' Capital Budget. For these neighbourhoods, the Transportation funding will be proposed in the 2015 to 2017 Capital Priorities Plan.

The 20 neighbourhoods proposed for the City of Edmonton's 2012-2014 Drainage Neighbourhood Renewal Program construction needs and timing are determined based on the following considerations:

1. In order to avoid disturbance of newly reconstructed roads, sewer inspection, design and construction is undertaken ahead of planned Transportation neighbourhood reconstruction work;
2. In certain neighbourhoods, although the roadway may be in satisfactory condition, sewers in poor condition require renewal work to avoid disruption of drainage service due to sewer defects.

The Drainage Neighbourhood Renewal Program for 2012 has seven neighbourhoods scheduled for construction.

A more detailed response on the coordination between Transportation and Drainage neighbourhood renewal works is provided in report number 2011IS4612 dated November 25, 2011.

Utility Budget Questions By Branch

Branch: Drainage Services

Asked By: Councillor Leibovici

Question #: 12-010U

Budget Page #:

Referring to the Drainage Utility 2012 Budget Utilities Committee presentation slide labeled "Where the Sanitary Rate is Spent" provide a breakdown of what is included in the expenditure grouping named "Program Support – Other."

Question Answer:

The 14% of Program Support – Other is broken out as follows:

Shared Services-7%

Customer Billing-5%

Miscellaneous-2%

TOTAL-14%

Note: The miscellaneous category is composed of labour, materials, travel, contract costs, training, recoveries, and transfer to SSSF.

Branch: Drainage Services

Asked By: Councillor Leibovici

Question #: 12-011U

Budget Page #:

Referring to the Drainage Utility 2012 Budget Utilities Committee presentation slide labeled "Where the Sanitary Rate is Spent" provide an explanation of the services delivered by the sections within Drainage Services named Planning and Development Services.

Question Answer:

Description-Planning:

The primary purpose for the Planning section is to identify and address current and emerging issues and needs by developing long range strategies, drainage area master plans, Capital Programs, Approval-To-Operate compliance and renewal, budgets, performance measurements and public education programs. Examples of current major initiatives include Low Impact Development, Combined Sewer Overflow Strategy, Sanitary Servicing Strategy, Biosolids Management Strategy, Asset Management Strategy, regional servicing and coordination, infrastructure renewal/upgrading and system expansion.

Description-Development Services:

The primary purpose for Development Services is to identify and address current and emerging issues that directly impact the public, which includes the delivery of programs such as private development approvals, infrastructure recording, sewer and water service connections, flood proofing, lot grading and local improvements. This section also undertakes environmental monitoring and regulatory compliance, to ensure both the City and its customers are operating within environmental laws. The goal is to provide timely and cost effective services to meet customers' needs and ensure regulatory compliance. Development Services administers and enforces three Council-approved bylaws; Sewers Bylaw, Sewer Use Bylaw and Surface Drainage Bylaw.

Utility Budget Questions By Branch

Branch: *Drainage Services*

Asked By: *Mayor Mandel*

Question #: *12-012U*

Budget Page #: *64*

In reference to pages 64 and 71 from the Utilities Binder why do we have such a high Net Income; \$19 M for Sanitary and \$12 M for Stormwater? If we reduce by \$2M, what would be the impact on rates?

Question Answer:

The net income referenced on pages 64 and 71 provide the necessary retained earnings and cash that is required on an annual basis to renew the current \$14.9 billion inventory of pipes and structures.

At the November 3, 2011 Utility Committee meeting, proposals to utilize reduced interest rates based on more current market information and to more gradually increase the return on rate base requirement were presented by Drainage Services. As a result, 3 motions were recommended to City Council. The motion to reduce the interest rates used for Sanitary and Stormwater Utilities will result in a reduction of \$0.29 per month for the typical residential customer. The motion to gradually increase the Return on Rate Base for Sanitary will result in a reduction of \$0.57 (\$0.50 - Return on Rate Base, \$0.07 - Local Access Fee) for the typical residential customer. This results in a combined reduction of \$0.86 per month for a typical customer. The net impact of these motions is a reduction in net income of \$2,375,000. As these motions relate to interest rate assumptions and the return on rate base, a direct impact to service levels is not anticipated.

A further reduction to the sanitary expenditure budget of \$2,000,000 will reduce the rate increase by approximately \$0.46 per month for a typical customer and will impact service levels.

Branch: *Drainage Services*

Asked By: *Mayor Mandel*

Question #: *12-013U*

Budget Page #:

What's the cost of drainage's portion for neighbourhoods in \$ annually?

Question Answer:

Actual and budget numbers for the Drainage Neighbourhood Renewal Coordination Project (XX-23-9510):

2009 (Actual) \$39.3M
2010 (Actual) \$28.4M
2011 (Projected) \$30.0M
2012 (Proposed) \$36.8M
2013 (Proposed) \$50.3M

Utility Budget Questions By Branch

Branch: Waste Management
Services

Asked By: Councillor Leibovici

Question #: 12-001U

Budget Page #: 5

Are we exploring more efficient ways of collecting waste; i.e. automated.

Question Answer:

As demonstrated in the recently concluded operational audit of the Waste Management Utility by the City Auditor, the Utility works diligently to improve collection efficiency. The use of single operator collection vehicles, "Routesmart" technology and higher capacity vehicles in recent years have already resulted in daily productivity and an overall collection system cost that will not decrease at this time with the implementation of an automated collection system. Moreover, the Utility cannot currently finance the capital expenditure required for a change over to an automated collection system were it desired. To further define the cost impact and servicing implications for a business case for a change to automated collection, the Utility plans to conduct a small pilot in four to five years.

Utility Budget Questions By Branch

Branch: Waste Management Services

Asked By: Councillor Leibovici

Question #: 12-002U

Budget Page #: 6

Explain the ROI for: commingled construction and demolition waste facility.

What is the cost of our commercial collection, and what are the revenues now and projected next 5 years?

Will the commingled construction and demolition waste stream have a recycling centre outlet like Habitat?

Old doors, windows, lumber, etc. can be reused.

Question Answer:

ROI

The investment in the expansion into mixed C&D material processing is expected to generate an annual rate of return of 10% in 2012, with an average annual internal return on investment of about 22% over a fifteen year operating life.

Commercial Collection

As outlined in the approved business case for this service, given the firm mandate to promote waste diversion, a break-even position will be reached in 2015 as shown in the following table. This is a conservative projection with the potential for the projected break-even time to be reduced if more larger rather than smaller volume customers are obtained.

**Commercial Collection Budget
(2011 Dollars x 1,000,000)**

Year	2011	2012	2013	2014	2015	2016
Total Expenses (\$000)	\$1.3	\$1.5	\$1.9	\$2.4	\$3.0	\$3.7
Total Revenue (\$000)	\$1.0	\$1.2	\$1.7	\$2.3	\$3.0	\$3.8
Net Revenue (\$000)	\$ (0.3)	\$ (0.3)	\$ (0.2)	\$ (0.1)	Balanced	\$ 0.1

Reuse

Operation of a dedicated reuse area at the Edmonton Waste Management Centre (EWMC) is not planned for 2012. The nature of operations at this site requires a detailed feasibility analysis of the logistics and safety of such an activity. This analysis is planned for 2013 following the development and opening of the reuse area at the Ambleside Eco Station in 2012. At this Eco Station, residents will be encouraged to drop off and pick up used construction material, household items and miscellaneous material for reuse. A reuse area will also be an important component of the North East (Kennedale) Eco Station. Space limitations at the existing Strathcona and Coronation Eco stations do not permit activities of this nature.

Utility Budget Questions By Branch

Branch: Waste Management
Services

Asked By: Councillor Leibovici

Question #: 12-003U

Budget Page #: 7

Explain the increase in FTE's, i.e. metric re: growth - job titles of 22.5 FTE's.

Question Answer:

Processing and Disposal – 20.5 FTE's

The FTEs are needed for operation of new facilities and growth in activity at the Edmonton Waste Management Centre. 18.5 Labourer II are required for the Construction and Demolition Waste Recycling Facility, the Integrated Processing and Transfer Facility and for the safe servicing of increased number of homeowners and other customers; 1 Operations Engineer is required for the efficient operation of the recently completed facilities and to meet due diligence requirements for safe mechanical systems; and 1 Supervisor is required to manage the recently completed Equipment Servicing Facility and the large inventory of fleet and equipment operating at the centre.

Collections Services – 2 FTE's

The FTEs are needed because of the continued growth in the number of customers and associated systems to manager and deliver services. Growth can no longer be absorbed by existing FTEs as was done in 2011. 1 Technician is required to directly manage and maintain the correct sequencing of additional servicing and number of units to be billed at multi-family sites and to ensure billing matches service delivered; and 1 support analyst is needed for data compilation of the increased amount of data resulting from growth in recent years, for evaluations for performance monitoring, for corporate reporting, and for timely recovery of revenue from the Province for collection of electronic waste and for disposal of household hazardous waste.

Utility Budget Questions By Branch

Branch: Waste Management Services

Asked By: Councillor Leibovici

Question #: 12-004U

Budget Page #: 8

Provide a breakdown of the operations Revenue/Program Revenue, i.e. how much generated in tipping fees, Grey's paper, etc. Page references 8/41.

Question Answer:

Program revenue (non-rate revenue) of \$23,715,000 shown in the rate filing on page 41 was updated in the Budget Overview to reflect most current information. The revised projection included in the 2012 Budget Overview is \$24,555 and this is detailed in the following table.

2012 Waste Management Utility Operation Revenue

Item	Revenue (\$ x 1,000)
EWMC Tipping Fees	7,725
Eco station Tipping Fees	2,012
Construction and Demolition Recycling	4,596
Commercial Collection	1,214
Extra Multi-family Collection Service	196
Materials Recovery Facility Revenue	5,005
Sale of Compost	400
Processing of Waste at IPTF	50
GEEP	295
Greys	284
Advanced Energy Research Facility	205
GHG Credits Revenue - Capital Power	2,047
Late Payment Penalties	300
Short Term Interest	<u>225</u>
Total Operation Revenue	24,555

Utility Budget Questions By Branch

Branch: Waste Management Services

Asked By: Councillor Leibovici

Question #: 12-005u

Budget Page #: 11

- Will the waste containers provide for recycling, i.e. in Parks; Public Places?
- Will big bins be provided to supplement charities donation bins as often big items are dropped off at these sites?
- Is it possible to put big bins permanently in places accessible to the public?
- What does the City do to divert our own recyclables from the landfill? What is our current diversion rate, and what is the target?

Question Answer:

Waste Containers

The waste containers indicated in the Capital Budget are not for recycling in Parks or Public Places. The containers are waste and recycle bins for multi-family sites, street litter baskets used along roads in business districts, and roll-off containers for Big Bin and Eco Station programs.

Charitable Organizations

The Waste Management Utility currently provides the following special disposal options to registered charitable organizations operating in the Edmonton area:

1. Charitable organizations can self haul large waste items to the Edmonton Waste Management Centre and receive a discounted rate. The current rate for charities is \$25 per tonne with a minimum charge of \$25, compared to the current rate for commercial waste haulers of \$68 per tonne with a minimum charge of \$35.
2. Charitable organizations can also access no charge disposal at the 12 Big Bin events.
3. Charitable organizations can deliver to Eco Stations, large unwanted recyclable items at no cost such as bicycles, exercise equipment, tires, non-CFC electrical appliances, televisions and other electronics, metal bed frames and other large metal objects. However, charges apply to other large unwanted non-recyclable items such as mattress, sofas and other furniture.

It is neither operationally feasible nor safe to manage unsupervised waste bins at publicly accessible locations throughout the City. In past years, The City piloted the placement of waste bins at the Recycle Depots for disposal of various items but this led to complaints from property owners and a considerable volume of illegal dumping, including hazardous and commercial waste.

Waste Diversion

The Waste Management Utility has provided most City facilities with Blue Bin recycling service since 2008. On October 1, 2011 the Waste Management Utility commenced a full waste and recycling collection service for all City facilities. With this increase in service, all material from City facilities is processed in the same way as material from the residential sector. As such, City facilities will be diverting 60% until full commissioning of the Biofuels Facility when the diversion target will increase to 90%.

Utility Budget Questions By Branch

Branch: *Waste Management
Services*

Asked By: *Councillor Leibovici*

Question #: *12-006U*

Budget Page #: *51*

Will there be space available at Kennedale when the new facility is built?

Question Answer:

The facility expansion at Kennedale will accommodate the collection fleet and staff to 2017 based on projected residential growth. The facility is designed for ease of expansion with future growth.

Utility Budget Questions By Branch

Branch: Waste Management Services

Asked By: Councillor Leibovici

Question #: 12-009U

Budget Page #: 199

Please explain the difference between the Bad debt allowance as indicated on page 200, Allowance for bad debt - \$48,000 (.8%) and the bad debt as a % of revenue (.428%) as noted at Audit Committee (page 16 – Waste Management Services Audit).

*General observation: Would be useful to know what the targets are, i.e. % of homeowners recycling – achieved 89%, but is the target 95% ?
Pages 199-200.*

Question Answer:

Bad Debt Allowance

The \$48,000 quoted on page 200 represents the change in budgeted bad debt expense between 2011 and 2012. The bad debt assumed for 2012 remains in the 0.4% range identified in the City Auditors report. The calculations are provided in the following table.

(\$000's)	2011 Budget	Change	2012 Budget
Bad Debt Expense	\$446	\$48	\$494
Rate Revenue	\$104,149	\$8,285	\$112,434
% Bad Debt /Revenue	0.43%	0.01%	0.44%

The 0.8% included in the question appears to be a typo as it does not appear on page 200 of the budget book.

General Observation

Currently, the informal target for the percent of homeowners recycling is 95. The establishment of non-financial formal targets for the Waste Management Utility should follow Council's approval of corporate targets and will be developed in conjunction with the Utility Committee for inclusion in the Utility's 2013 Budget Overview.

Utility Budget Questions By Branch

Branch: *Waste Management Services*

Asked By: *Mayor Mandel*

Question #: *12-014U*

Budget Page #:

Why not pay for the construction and operations of ECO Stations out of the tax base?

Question Answer:

1. Eco Stations serve only the residential sector and as such the recovery of all costs through the monthly utility rate and facility user fees are appropriate.
2. Only the residential sector can use Eco Stations under the Provincial licenses governing the operation of these facilities.
3. The Province only pays for the disposal of household hazardous waste and since the Eco Stations are licensed specifically for this waste stream the Province pays for the disposal of the household hazardous waste collected at our Eco Stations without question.
4. Waste Management Services was converted to a utility, in part, because the non-residential sector paid taxes but did not receive service from the City without paying again by way of a user fee.
5. Given Item #4, if Eco Stations were funded by property taxes, it would be difficult to justify not being able to accommodate this sector at Eco Stations.

If the Provincial license could be changed, which is highly unlikely, and if we were legally obliged to accept the non-residential sector, the cost for changing processing procedures and employing specialized staff to handle commercial hazardous wastes could potentially double operating costs. In addition, two of the three existing Eco Stations are at capacity and cannot accommodate non-residential traffic; there would be considerable costs associated with increasing the size of these stations to accommodate the non-residential sector.