

Waste Services 2019-2022 Proposed Capital Budget

Recommendation

That Utility Committee recommend to City Council

That the 2019-2022 Waste Services Capital Budget in the amount of \$277.6 million, as outlined in Attachment 1 of the November 16, 2018, City Operations report CR_6139, comprised of \$264.6 million in 2019-2022 and \$13 million in 2023 and beyond, be approved.

Previous Council/Committee Action

At the April 10, 2018, City Council meeting, the following motion was passed:

That each proposed capital profile in the 2019-2021 Utility Budget include an economic analysis of each project that includes:

- The predicted capital costs of the project, broken down by year of expenditure.
- The predicted annual operating and maintenance costs for each project.
- The reasonable expected lifespan of the project.
- The expected annual revenue realized from each project.

This Administration driven report also addresses the above noted motion.

Executive Summary

Over the 2019-2022 budget cycle, Waste Services will deliver programs and services that will help move Edmonton toward City Council's goal of 90 percent residential waste diversion from landfill; identify opportunities for the recovery of valuable waste resources; partner with private and non-profit stakeholders to encourage the development and commercialization of new technologies; engage residents and stakeholders to define issues; consider solutions and identify priorities; and implement the necessary program and service changes to secure a sustainable future for Edmonton.

Programs will ensure fiscal accountability with stable rate increases, continuous business improvements and a continued focus on safety, employees and customers. Significant changes to the waste management program will occur over the next four years including to the residential curbside collection of grass, leaf and yard waste and the implementation of a source separated organics program. Capital impacts from program and service changes will be accommodated as part of this Capital Budget. Waste Services is examining and optimizing all areas of the business to maximize efficiencies, increase value for money, continually improve environmental performance, minimize risk and maintain the highest safety standards.

Report

This report presents the proposed 2019-2022 Waste Services Capital Budget. The Capital Budget has been prepared by reviewing the 2018 Approved Capital Budget, incorporating strategic directions and initiatives from the 2019-2022 Business Plan, and aligning capital projects with key focus areas including safety, environment and operational improvements.

Waste Services has developed an improved business case process in response to the City Auditor's report from January 2018. The process enables informed decision making on capital projects and has been reviewed by the City Auditor. The business cases support the capital budget requests in this report and have been included in the 2019 Utility Rate Filing. The Utility Advisor has also reviewed the business cases and concluded in his report that they meet his expectations.

The capital project summary is outlined below (see Attachment 1 and Attachment 2 for additional details). The Capital Budget is presented in conjunction with the Operating Budget (CR_6138 Waste Services 2019-2022 Proposed Operating Budget).

Facilities and Infrastructure Composite Upgrade/Renewal

This new composite profile provides capital funding for planning, design and project delivery for projects including the capital maintenance, renewal, and upgrade of existing assets due to new or increased waste streams, safety concerns, and design improvements that increase the efficiency of Waste Services' operations. This also includes implementation of an asset management program consistent with the Infrastructure Asset Management policy C598 and the project development and delivery approach highlighted in the Capital Project Governance policy C591.

Waste Services Planning and Design and Project Delivery Composites

These new composite profiles provide capital funding for capital project planning, design and delivery for projects managed by Integrated Infrastructure Services. These profiles support and align with the City's Project Development and Delivery Model

(PDDM) approach to capital project delivery. Waste Services began utilizing the PDDM approach in 2017.

Projects have been identified and prioritized based on strategic criteria such as environmental impact, health and safety and alignment to current and new strategy development. Projects anticipated to be undertaken in this budget cycle include capital investment in the Edmonton Composting Facility to meet structural integrity and safety standards and upgrades to the Materials Recovery Facility equipment to replace aging machinery and improve processing efficiency.

This capital funding request establishes funding prioritization for Waste Services projects over the next four-year budget cycle. The PDDM approach is a gated process for capital projects to ensure that projects are properly developed before they are funded for delivery.

While approval for funding in this profile is required to establish the initial 2019-2022 capital budget and projected utility rate increases over the four-year period, approved funding for this profile does not indicate final budget or funding for any specific capital project.

This capital funding request provides information at a concept level that pertains to the budget for projects that are anticipated to be delivered during the 2019-2022 budget cycle. Details of the individual projects listed in this profile, including budget and scheduling, will be provided once the project has reached checkpoint three and a detailed business case is approved by Utility Committee and Council.

Containers, Vehicles and Equipment Acquisition

These new capital funding requests are for waste containers and mobile equipment. The objective of these profiles is to replace existing assets at the end of their useful lives and provide funding for growth assets to support current market conditions and the changing needs of Waste Services' customers.

For waste containers, this entails the purchase of steel bins and litter baskets used in Waste Services' multi-unit residential and non-residential collection programs as well as carts required to support the initial rollout of the residential Source Separated Organics Program in 2019. The equipment acquisition profile also supports the purchase and capital refurbishment of Collections and Sustainable Waste Processing equipment such as waste collection vehicles, highway tractors and trailers, shredders and compost turners. Purchases will be timed and aligned with strategic changes in the overall waste program.

Public Engagement

Although public engagement was not undertaken for the budget process, Waste Services is currently conducting extensive engagement efforts with residents and a variety of stakeholders. The input provided will inform the proposed program and service changes and help shape a new waste strategy for Edmonton. Input from this engagement will also help to inform and refine decisions about capital projects and priorities, including timing of equipment purchases to ensure that capital investments are well aligned with strategic change.

The Capital Budget is standard operational practice for the Waste Services Utility as per Waste Management Policy C527, Waste Management Utility Fiscal Policy C558A and the City of Edmonton four-year budget cycle. The public has the opportunity to ask questions about the budget through the yegcity.ca budget website and to provide input when the budget is presented at Utility Committee.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position					
Outcome(s)	Measure(s)	2019 Proposed	2020 Proposed	2021 Proposed	2022 Proposed
The City of Edmonton has a resilient financial position	Annual Net Income (\$000s)	12,237	12,248	10,504	14,622
	Cash Position (\$000s)	64,134	64,206	61,403	63,072
	Stable Consistent Rate Increases	2.5%	2.5%	2.5%	2.5%
	Debt to Net Assets Ratio	75.4%	73.6%	73.3%	73.7%

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	<ul style="list-style-type: none"> Public Engagement Communications Social Marketing 	Engage with citizens to get feedback on proposed programs; establish comprehensive communications program to support implementation

Environmental	Contamination of waste streams; reduced diversion	3 - possible	3 - major	9 - medium	<ul style="list-style-type: none"> • Education • Communications 	Establish comprehensive education and communications programs to support implementation and to show value to citizen.
Public Perception	Perception of poor service by the City; poor public perception of the City affects its ability to achieve objectives (i.e. diversion target)	3 - possible	3 - major	9 - medium	<ul style="list-style-type: none"> • Education • Communications • Social Marketing 	Establish comprehensive education and communications programs to support implementation and to show value to citizens

Attachments

1. Capital Summary
2. Appendix A - Capital Profile Details

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