

# Waste Services Supplemental Capital Budget Adjustment

## Recommendation

That Utility Committee recommend to City Council:

That the Source Separated Organics Program profile in the amount of \$51.5 million, as an amendment to the 2019-2022 Waste Services Capital Budget, as set out in Attachment 1 of the August 29, 2019, City Operations report CR\_7174, be approved.

## Executive Summary

During the 2019-2022 Waste Services Capital Budget discussion, Utility Committee recommended to City Council that the Source Separated Organics Program profile remain unfunded until Waste Services returns with a business case for the program. Report CR\_7173 presents the Single Unit Waste Set-out Business Case in support of this capital profile request with recalculated capital costs of \$51.5 million. This report (CR\_7174) details the capital profile request and its implication on the 2019-2022 Waste Services Capital Budget. It also supports ConnectEdmonton's strategic goal of Climate Resilience by contributing to transformational change in how Edmonton's waste will be managed and how services will be delivered.

## Report

In the 2019-2022 Waste Services Capital Budget, the capital profile for the Source Separated Organics Program was marked as unfunded. However, the amount of the profile remained in the Capital Budget for forecasting purposes. At the time of this decision, the Waste Services Capital Budget was reduced by the amount of the profile, which was \$54.35 million.

Report CR\_7173 presents the Single Unit Waste Set-out Business Case in support of this capital profile request with recalculated capital costs of \$51.5 million, which is \$2.85 million lower than originally forecast. If the capital profile is approved, the 2019-2022 Waste Services Capital Budget would need to be increased by \$51.5 million to provide for the procurement of capital assets required to support the Single Unit Waste Set-out program, in particular residential waste containers and related assets. The procurement process must be started in mid-October 2019 to ensure timelines for the project remain on track. Delays in funding and procurement may jeopardize the citywide rollout of the Source Separated Organics Program.

While the capital profile was not previously funded in the 2019-2022 Waste Services Capital Budget, it did remain in the capital budget forecast so there will be no increase to the Utility Rate by funding this capital profile. The reduction in the profile of \$2.85 million will be factored into the 2020 Utility Rate Filing.

This capital profile provides funding for the Single Unit Waste Set-out Business Case (CR\_7173). Capital assets under this profile include funding for purchasing carts and associated accessories, automated collection and crew maintenance vehicles, storage yard and processing equipment required to successfully roll out and manage this program.

**Budget/Financial Implications**

This report provides revised calculations for the 2019-2022 Waste Services Capital Budget and the capital profile for the Source Separated Organics Program has been marked as recommended. If this capital profile is approved, the capital budget will increase by \$51.5 million (see Attachment 1). If City Council accepts Utility Committee’s recommendation, the revised Waste Services Capital Budget would be \$283.9 million, comprised of \$270.9 million in 2019-2022 (including 2018 carry-forwards), and \$13 million in 2023 and beyond that was previously approved (see Attachment 2).

**Public Engagement**

A comprehensive citywide public engagement initiative was launched in October 2018 to support the development of the 25-year Waste Strategy, with a second phase of public engagement in spring 2019. The public engagement was designed to seek input from residents, multi-unit stakeholders, non-residential stakeholders and internal City employees on proposed waste management program and service changes.

The public engagement helped to inform the 25-year Waste Strategy and those components in turn inform the changes required for the Source Separated Organics Program. So although public engagement was not completed specifically for this report, results of the public engagement informed the decision for the business case that is tied to this capital budget adjustment.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s): The City of Edmonton has a resilient financial position</b>			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>2018 Result</b>	<b>2019 Target</b>
The City of Edmonton has a resilient financial position	Debt to Net Assets Ratio	81.7%	75.4%
	Stable Rates	2.3%	2.5%

**Risk Assessment**

<b>Risk Element</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Score (with current mitigations)</b>	<b>Current Mitigations</b>	<b>Potential Future Mitigations</b>
Project Management	Implementation of the Single Unit Waste Set-out Program may be delayed if funding is not approved	5 - almost certain	3 - major	15 - high	Completion of a comprehensive set out business case with sound recommendations  Learnings from the demonstration project to 8,000 households	Strong budget management and capital planning

**Attachments**

1. Source Separated Organics Capital Profile Report
2. Capital Summary

**Others Reviewing this Report**

- A. Laughlin, Acting Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- B. Andriachuk, City Solicitor