

Solid Waste 2018 Operating and Capital Budget Adjustments

Date: June 27, 2018

To: Executive Committee

From: General Manager, Solid Waste Management Services

Wards: All

SUMMARY

The report requests City Council's authority to reduce the 2018 Capital Budget and 2019 to 2027 Plan, and increase the 2018 Operating Budget in order to clarify and accurately reflect the expenditures associated with the Bermondsey and Ellesmere compressed natural gas fill stations. The adjustments will have a zero dollar impact on the Solid Waste Management Services 2018 Operating Budget.

This report also requests City Council's authority to amend Solid Waste Management Services' 2018 Capital Budget and to reallocate cash flows within the 2018 Capital Budget. These adjustments will align program requirements and project delivery schedules resulting in improved spending rates.

RECOMMENDATIONS

The General Manager, Solid Waste Management Services, recommends that:

1. City Council authorize a reduction to the approved Solid Waste Management Services Capital Budget and Plan for the period 2018 to 2026 by \$941,000 per year and a corresponding increase of \$1,207,000 to the Solid Waste Management Services 2018 Operating Budget to be funded by a reduction to the annual contribution to the Waste Management Reserve Fund and to be allocated as presented in Attachment 1 - Table 1;
2. City Council authorize the reallocation of funds within Solid Waste Management Services 2018 Capital Budget in the amount of \$2,156,000 for funding of projects, as presented in Attachment 1-Table 2, resulting in a net zero budget impact.

FINANCIAL IMPACT

There are no additional costs to the City or adjustment to the Solid Waste Management Services 2018 Rate as a result of approving the recommendations in this report.

The impact to the SWMS 2018 Operating Budget due to Recommendation 1 will be offset by a reduction to the planned contribution to reserve funds.

Recommendation 2 will move funding from one capital project (Diversion Facilities Asset Management) to another capital project (Collection Yard Asset Management).

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of April 24, 25, 26 and 27, 2018, City Council authorized a reduction to the Solid Waste Management Services approved carry forward cash flows from 2017 to 2018 in the amount of \$3.213 million as detailed in Attachment 2 of the report (March 29, 2018) from the General Manager, Solid Waste Management Services. City Council also authorized the reallocation of project costs in the amount of \$5.037 million from the 2019 estimated Capital Plan to the 2018 Capital Budget to be funded from Solid Waste Management Services Perpetual Care Reserve (XR1013) with cash flow commitments as presented in Attachment 1 to the report (March 29, 2018) from the General Manager, Solid Waste Management Services.

The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX33.19>

At its meeting on December 5, 6, 7, and 8, 2017, City Council adopted, with amendments, Item EX29.19 entitled "2018 Rate Supported Budgets - Solid Waste Management Services and Recommended 2018 Solid Waste Rates and Fees". City Council approved the 2018 Recommended Capital Budget for Solid Waste Management Services with a total project cost of \$56.857 million, a 2018 cash flow of \$114.406 million, and future year commitments of \$149.404 million.

The Council Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.19>

COMMENTS

Solid Waste Management Services is seeking authority to reduce the 2018 Capital Budget and 2019 to 2027 Plan and increase the 2018 Operating Budget in order to clarify and accurately reflect the expenditure categories associated with the Bermondsey and Ellesmere Collection Yards compressed natural gas fill stations.

Solid Waste Management Services is also seeking authority to amend the 2018 Approved Capital Budget to better align cash flows with revised forecasted expenditures, reflecting project and program requirements, in accordance with Section 71-9 B to E of the Toronto Municipal Code Chapter 71, Financial Control. These adjustments will result in improved spending rates for 2018.

Project Delivery Schedule Amendments

Adjustments are recommended for various Solid Waste Management Services 2018 Capital Programs and Projects, as identified below and summarized in Attachment 1.

Reclassification of 2018 Capital Plan Expenditures and the Corresponding Adjustment to the 2018 Operating Budget

1) Reclassification of 2018 Capital Plan Expenditures

A technical adjustment is required to remove funding related to the compressed natural gas fill stations at the Bermondsey and Ellesmere Collection Yards from capital account CSW510-01. As approved in December 2017, project cost and cash flows for this project total \$8.469 million or \$0.941 million per year for the period 2018 to 2026. The cost of the equipment rental and maintenance fees paid to Enbridge were originally budgeted as capital expenses. It has since been established that the maintenance and rental costs are to be deemed operating expenses. As a result, these annual expenses should be funded from the SWMS Operating Budget.

A technical adjustment is required to decrease the 2018 Capital Budget and 2019 to 2027 Plan by **\$941,000** per year or a total of \$8.469 million. Funding was planned to be 70% through recoverable debt and 30% through the Waste Management Reserve Fund XR1404.

2) Re-allocation to the 2018 Operating Budget

A technical adjustment is required to apply the equipment rental and maintenance costs associated with the compressed natural gas fill stations at the Bermondsey and Ellesmere Collection Yards to the 2018 Operating Budget. As mentioned above, due to a clarification of the expenditures this year, the 2018 Operating Budget will need to be increased to account for the equipment rental and maintenance costs that were originally applied to the 2018 Capital Budget. An additional adjustment to the Operating Budget is required to include an estimated three (3) months of equipment rental and maintenance costs for the new fill station at the Ingram Collection Yard. The City and Enbridge Gas Distribution Inc. (Enbridge) initiated negotiations on the terms of the contract in 2017 and only recently entered into an agreement in 2018 for this additional fill station. Enbridge has estimated that the fill station will be completed in the fall of 2018. Based on this time-line, the equipment rental and maintenance costs were not originally budgeted in 2018.

This technical adjustment, as outlined in Attachment 1, will increase the 2018 Operating Budget by \$1,207,000 and will be funded by a reduction to the annual contribution to the Reserve Fund (XR1404) for 2018. As a result, there will be no impact to the 2018 Solid Waste Management Services' Operating Budget or Rate.

2018 Cash Flow Adjustments between Capital Program Areas

Funding is required for the construction of a new compressed natural gas fill station at the Ingram Collection Yard. Solid Waste Management Services has been converting its

collection vehicles from diesel to compressed natural gas in an effort to reduce the City's carbon foot print. The City and Enbridge began negotiating the terms of the contract last year and only recently entered into an agreement, which is why the cost to install and service a fill station at the Ingram Collection Yard was not budgeted in 2018.

A technical adjustment is required to account for the cost of the compressed natural gas garage retrofits at the Ingram Collection Yard. This cost was previously unbudgeted because the delivery date of the new compressed natural gas vehicles was not confirmed in 2017. Fleet Services Division has now confirmed that the new compressed natural gas vehicles will arrive in the fourth quarter of 2018, therefore the garage retrofit is required to allow staff from Fleet Services to safely conduct maintenance on the new compressed natural gas vehicles.

Fleet Services Division have confirmed that Solid Waste Management Services will also receive electric vehicles in the fourth quarter of 2018. Charging stations must be installed at the four (4) collection yards to fuel the new electric vehicles. The cost of the charging stations was also not budgeted in 2018 because the arrival date of the new vehicles was not known.

The technical adjustment will increase the 2018 project cost and cash flow for the Collection Yard Asset Management Program by \$2.156 million. A corresponding reduction will be made to the Diversion Facilities Asset Management project, as per Attachment 1. This will leave \$0.594 million budgeted for Diversion Facilities Asset Management which is deemed to be sufficient for 2018.

CONTACT

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SIGNATURE

Jim McKay
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Solid Waste Management Services

ATTACHMENTS

Attachment 1 - Solid Waste 2018 Proposed Budget Adjustments between Programs