City of Edmonton Utilities
Proposed 2010 Budgets - Introduction

Background Information

The City of Edmonton owns and operates three utilities: Sanitary, Land Drainage, and Waste Management. The City has provided these utility services for over a hundred years. However, these services have not always been operated under a utility model.

Prior to the adoption of the utility model, tax levy was used to wholly or partially fund the costs of these services. This means that the user fees charged for the services did not necessarily cover the operating and/or capital requirement of the utility systems.

Operating under a utility model, the revenues generated from each of the utilities cover the daily operating costs as well as the long term capital requirements. Under a purely public utility model, the goal is to provide the best possible service at the lowest cost to the customers and return on investment generated from the operation is not a primary consideration. Under a private utility model, utility rates for the services provided are based upon a reasonable, sustainable rate of return on capital investment, governed under regulations of the Alberta Utilities Commission. The City of Edmonton Utilities generally operate under a public utility model; except that it allows for the payment of a dividend to the City of Edmonton based on the actual operating results.

The Sanitary Utility is the most mature of the three utilities, having operated as a full utility since 1956. Currently, it is the only utility that pays a local access fee and an annual dividend to the City of Edmonton. Land Drainage became a utility in January 2003 and its ability to pay a dividend to the City of Edmonton will be reviewed in 2014. Waste Management became a full utility in January 2009 and is exempt from dividend payments at this time. The review and development of a Waste Management Utility Fiscal Policy will determine its ability to pay dividends to the City of Edmonton in the future.

Changes to Budget Process and Documentation

The annual budgets for the Sanitary, Land Drainage, and Waste Management Utilities have traditionally formed part of the overall City of Edmonton Budget. Following the rate setting, governance and regulatory review of the three utilities by HDR Engineering Inc., City Council directed Administration to separate the submission, review and approval of the utility budgets from the City's budget review process. The primary reason for the separation is to allow City Council sufficient time to review and discuss the utility budgets. Accordingly, this document has been prepared for Council consideration on September 25th, 2009, prior to the review of the Corporate Budget in December.

The governance and regulatory review also concluded that as multi-million dollar businesses, Council needs sufficient and appropriate information to make informed decisions. Accordingly, this budget document includes an Overview; Major Services and Activities; Capital Budget Update and Recommended Capital Adjustment; and Supplemental Information.

The Overview is intended to provide sufficient information to demonstrate the business alignment to Council's 30-Year Strategic Goals, a description of the Major Services and Activities, Outcomes and Measures, Issues and Challenges, and the Proposed 2010 Operating Budget summary. This introductory section of the document also outlines Outcomes and Measures. Attached to specific measures and targets, these Outcomes demonstrate the progress of the particular program in relation to the goals set out in The Way Ahead (City of Edmonton Strategic Plan 2009-2018).

The program overview is followed by a description of the Utilities major services. For greater insight, each of the Major Services and Activities include information on Responsibility, Current Service Level, Strategic Initiatives, along with budget information detailing the revenues and expenditures associated with the specific major activity.

Also included is a breakdown of the approved 2009-11 Capital Budget. Where amendments to the approved budget are proposed, the rationale for the adjustment is provided for Council's consideration.

Key Considerations have been identified throughout the document. These major management decisions have been reflected in the Proposed 2010 Budget and are highlighted for Council's consideration.

Finally, to provide full financial information, Supplemental Information is presented in the form of Pro-Forma Statements. The intent of including this information is for completeness purposes; and to present the projected financial picture of the Utilities for the next five years.

Significant Events Affecting the 2010 Budget

The Proposed 2010 Budgets for the three Utilities have been developed by incorporating policies and direction provided by City Council, the current and projected economic conditions and regulatory and contractual commitments made under approved Programs. These are discussed below to provide context for a better understanding of the proposed budget.

Use of Grant Funding

On April 16th, 2008 City Council approved the financial principles for developing the 10 Year Capital Investment Agenda. One of the approved principles is to "Fund utilities [capital] by utility rates". Accordingly, all capital infrastructure requirements by Sanitary, Land Drainage, and Waste Management are now being funded through Utility Rates or third party contributions.

Exceptions are previously approved projects with grant funding that have not yet been completed or new grants that are project based (e.g. Alberta Energy Research Institute grant for Biofuels Facility) as opposed to population-based grants (e.g. Municipal Sustainability Infrastructure).

This direction significantly impacts the rates for the Sanitary Utility customers and will have an impact on the Land Drainage customers within the next couple of years.

From 2005 to 2009, Drainage Services has accessed an average of $15 million annually in grant funding towards its capital requirements. Combined, this represents nearly a 19% rate impact on the drainage utility rates if the capital investment were to be made using cash financing (1% rate represents approximately $600,000 for Sanitary and $200,000 for Land Drainage). If the capital investment were to be financed through 25-year debt, the cumulative impact over a 5-year period is estimated at 1.5%. As will be discussed in the budget document, care needs to be taken in terms of the total debt being carried by the Utilities.

Since 2006, grant financing for capital projects has been mostly directed to the Land Drainage Utility for the Flood Prevention Program implemented as a response to the 2004 storm event. While significantly reduced ($20.7 million budget in 2009), the Land Drainage proposed 2010 budget still contains $7.5 million of grant financing for Capital Projects.

Implementation of Tangible Capital Asset Regulation

The implementation of the required Tangible Capital Asset (TCA) regulation for accounting of capital projects has had a negative impact to both Sanitary and Land Drainage.

TCA is a legislated requirement that comes into effect in 2009. Essentially, it restricts the amount of costs that can be capitalized as part of the capital asset and depreciated over the life of the asset. Implementing this new requirement in the Proposed 2010 Budget has seen an added $1.4 million in expenditure for 2010 that would otherwise have been "deferred".

Sanitary Utility

On March 31, 2009 the City of Edmonton transferred the Gold Bar Wastewater Treatment Plant (GBWWTP) to EPCOR. The budget identifies the portion of revenues collected for the operations and maintenance of GBWWTP separately from the Sanitary Utility. City Administration will present the budget for the wastewater collection and transmission system. Information on the EPCOR budget for GBWWTP is included in the budget documentation. Customers of the Sanitary Utility will continue to see one fee for all sanitary services.

One of the significant events affecting the 2010 Budget is the economic slowdown during 2009, which enabled the Transportation Department to increase the number of pavement overlay neighbourhoods under the Neighbourhood Renewal Program due to lower construction costs. This requires an increase in Drainage Services' capital budget to complete open cut sewer works in more neighbourhoods, ahead of roadway reconstruction or overlay works.

Another significant change to the Proposed 2010 Budget is the financial segregation of Design and Construction, as recommended in the HDR report. Design and Construction currently operates under the

umbrella of the Sanitary Utility. However, it is a non-regulated activity and can be treated as a potential future source of income for the City. The Approved 2009 Budget contained a budgeted transfer of $1.9 million to the Sanitary Utility. This has been reduced to $1.5 million in the Proposed 2010 Budget and is anticipated to be further reduced to $750,000 in 2011.

Land Drainage

As a relatively new utility, Land Drainage is currently exempt from the payment of a local access fee and dividend to the City of Edmonton. This will be reviewed in 2014 as per Policy C304B.

One of the significant factors affecting the Proposed 2010 Budget is the increase in capital investment, such as the Mature Neighbourhood Renewal Program, through debenture debt, which increases the associated interest cost.

A second factor is the lower investment interest rate which reduces the amount of interest revenue available to offset increased costs.

Waste Management Utility

After an additional 10 years capacity made possible by a commitment to waste reduction and diversion from landfill through recycling and composting, the Clover Bar Landfill finally reached capacity after serving Edmonton and region for 35 years and closed in August 2009. The landfill closure necessitates a significant change to the waste management operations as long distance hauling to Ryley significantly increases the cost of disposal. This cost pressure on Waste Management is expected to continue through to 2013.

In preparation to mitigate the amount of long distance hauling required, efforts have been underway for the past number of years to decrease the amount of waste material being sent to the landfill. Currently, Edmonton has achieved a 60% diversion of its residential waste through reduction, recycling and composting initiatives.

The GEEP electronic and electrical waste recycling facility, the commissioning of the Biofuels Facility (expected in late 2011), and the commissioning of the Greys Paper Recycling Facility (expected by early 2011) are expected to further increase the residential waste diversion rate from landfill to 90% .

In addition, efforts are underway to enhance construction and demolition waste recycling to act on potential new revenue opportunities and further reduce the amount of materials being hauled to Ryley .

Another cost pressure that would need to be addressed in future budgets is the treatment of depreciation on the integrated waste collection and disposal system. With the move to full utility and the legislated changes surrounding Tangible Capital Assets, depreciation associated with the capital investment that was not previously included in the rate structure will now have to be addressed. Council will provide direction on the treatment of depreciation as part of the Waste Management Fiscal Policy planned for review by Council in early 2010.

Prior Commitments

When City Council approved the 2009 Budgets for the three utilities, Administration indicated that the three-year rate increases needed were as follows:

	2009	2010	2011
Sanitary Utility	8%	8%	8%
Land Drainage	8%	8%	8%
Waste Mgmt	$26.59	$34.50	$36.94

Despite some of the unexpected events impacting the utilities, the Proposed 2010 Budget reflects an 8% increase to both the Sanitary and Land Drainage Utilities; however, the projected Net Income is lower than in prior years. The Waste Management Utility was able to reduce its projected increase from $34.50 to $29.85 as a result of steps that were undertaken during 2009. These are discussed in the Waste Management section of the document.

Impact on Typical Household

The Proposed 2010 Budgets do include an increase to the utility rates, as outlined in the table below.

	Average Monthly Usage	2009		Proposed 2010		Increase*
		Rate	Monthly Charge	Rate	Monthly Charge	
Sanitary	17.5 m^3	\$5.64 + \$1.077/m^3	\$ 24.49	\$6.09 + \$1.163/m^3	\$ 26.44	\$ 1.95 (8.0%)
Land Drainage	average residential lot size (592 m^2)	\$0.0186/m^2 with run-off co-efficient of 0.5	\$ 5.51	\$0.0201/m^2 with run-off co-efficient of 0.5	\$ 5.95	\$ 0.44 (8.0%)
Waste Management	single family	\$ 26.59	\$ 26.59	\$ 29.85	\$ 29.85	\$3.26 (12.3%)
Total			**\$ 56.59**		**\$ 62.24**	**\$5.65 (10.0%)**

AMPW - Waste Management Branch
2010 Operating Budget

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1. OUR ROAD MAP

1.1 Overview

Edmonton's waste management system has evolved from a single focus on burying waste in landfill just 20 years ago, to today's integrated, sustainable system that diverts up to 60% of residential waste from landfill.

Edmonton is positioned as an international leader in urban waste solutions guided by:

(1) City Council and Council Committees,
(2) ongoing input from residents,
(3) the Waste Management Policy,
(4) the Waste Management Strategic Plan, and
(5) the Waste Management Bylaw 13777.

Our long term leadership position will not be maintained by what we have achieved to date. To do so to the benefit of our residents and businesses requires a commitment to future developmental research in areas such as the economical production of higher value alcohols from waste, (not just methanol or ethanol). Such solutions will further Council's commitment to environmental sustainability as demonstrated today with closed loop-recycling initiatives.

Through this commitment to excellence and in meeting the service needs of residents, the Waste Management Branch directly contributes to City Council's strategic goal, Preserve and **Sustain Edmonton's Environment**. With a focus on innovation, the Branch also contributes to City Council's strategic goal, **Diversify Edmonton's Economy**. The Branch has achieved significant success in attracting new green businesses to the city such as Global Electric and Electronic Processors (GEEP). Businesses bring new technology, create jobs and contribute to the City's financial sustainability.

The Waste Management Branch has consistently placed a high priority on environmental protection in delivering services. In 2006, the Branch received ISO 14001:2004 Certification for its Environmental Management System and was recently recertified.

Notwithstanding this success, the main focus of the Branch is the consistent delivery of responsive, cost-effective services for Edmonton. These include collection services, processing and disposal services, and supporting education and engagement programs. Through a judicious blend of private and public sector provided services, the **Branch garners some of the City's highest satisfaction ratings for less than $1 per day per household.**

1.2 Relationship with Residents

Residents play a critical role in the success of our integrated waste management system.

- Unlike hundreds of municipalities in North America, they have gone beyond saying green, they do green.
- The waste reduction they achieve through backyard composting,

Mission

"To provide waste management services for the City of Edmonton with due regard to the needs of residents, the preservation of natural resources, the protection of the environment and the financial capabilities of the City."

Residents "do" green ▶

grasscycling and reuse is approximately 25,000 tonnes per year.
- Their participation rates in voluntary programs such as recycling are among the highest in North America.
- They volunteer over 5000 hours each year and serve as ambassadors for the Branch.

By facilitating their engagement, the Branch has built a collaborative relationship with residents and a strong sense of community pride in Edmonton's waste management achievements. In keeping with this close connection to community and our corporate commitment to diversity and inclusion, the Branch is engaged in establishing a long term relationship with a not-for-profit organization to provide specific services at the Edmonton Waste Management Centre employing residents in need.

Composting

1.3 Major Service Programs

The Waste Management Branch develops and delivers waste management services with due regard to the needs of residents and businesses and in close alignmnet with Council's 30-Year Vision. Services are provided under two programs, **Collection** and **Processing and Disposal**. Details of these two major service programs are provided in subsequent sections of this budget document.

Major Service Programs

Collection

Provision of waste and recyclable collection service for the residential and business sectors of Edmonton.

Management of conveniently located drop off facilities for waste, recyclables and household hazardous wastes.

Processing and Disposal

Provision of processing and disposal services for waste and recyclables through highly integrated facilities and programs at the Edmonton Waste Management Centre.

The major services are delivered as a fully integrated waste management system. 2010 is a milestone year reflecting required system and demographic related changes. Edmonton will be well positioned towards its goal of 90% diversion of residential waste from landfill and provide further reason for pride in our City as an international waste management leader.

2010 System Milestones

1. The first two phases of the new Integrated Processing and Transfer Facility will be fully operational including the hauling of waste to landfill in Ryley necessitated by the closure of the Clover Bar Landfill. This closure is further discussed in Section 1.5
2. Assisted Collection service will be fully implemented.
3. The Biofuels (Gasification) Facility will be under construction.
4. The Advanced Energy Research Centre will open.
5. The new Southwest Eco Station will be fully operational with a reuse service for residents.
6. The Greys Recycling Facility will be built.

1.4 Service Objectives for 2010

Milestones #1 and #2 are the specific new service objectives for 2010.

Objective *- To maintain service levels while adapting to the closure of the Clover Bar Landfill.*

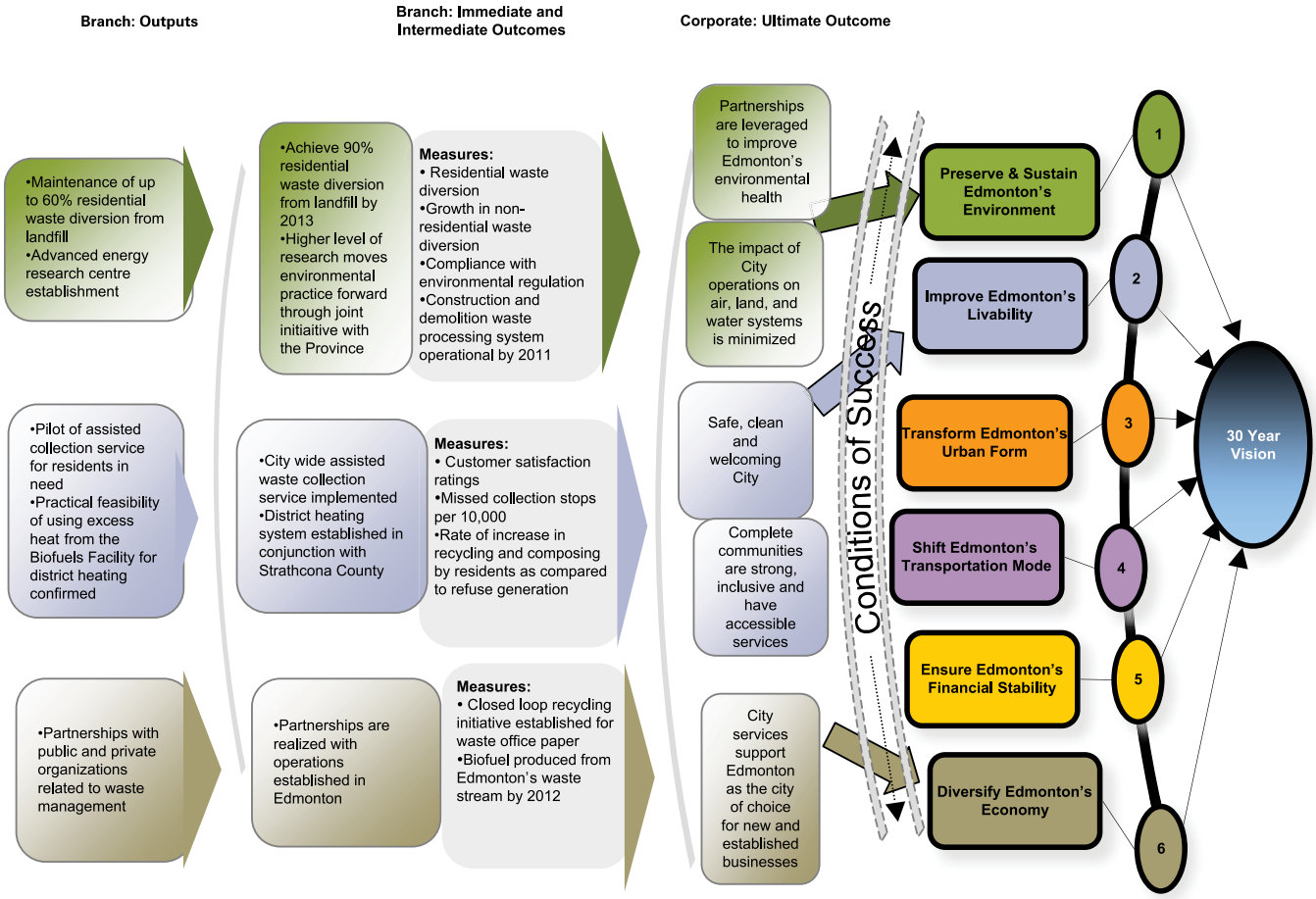
The availability of an on-site landfill has historically provided a flexible and low cost way to adapt to our customers' varying quantities and types of waste. This option must now be replaced by other operations to receive and process material, either diverting it from landfill or transferring it to a distant landfill.

An important initiative to maintain service levels is the development and operation of the Integrated Processing and Transfer Facility (IPTF). This operation provides the ability to receive and handle most materials formerly delivered to the Clover Bar Landfill and at anticipated higher traffic volumes. The IPTF is further explained in Section 3 of this budget document.

Objective *- To fully establish the Assisted Collection service.*

City-wide provision of the Assisted Collection Service in accordance with the Waste Management Policy will follow from the pilot implemented in 2009. This door-side collection service will be provided to residents with demonstrated need living along curbside collection routes. It will meet a need to assist an identifiable sector of our residential community, a large portion of which are senior citizens. Alberta Health Services will assist in targeted dissemination of information.

1.5 Expected Outcomes from Services



The delivery of the major service programs enables the commitment to excellence (through initiatives such as the Edmonton Waste Management Centre of Excellence) and outcomes that are environmental, social or economic in nature. The outcomes emerge from the foundation of the range of services provided for residents and businesses under each program.

Immediate Outcome	Intermediate Outcomes	Ultimate Outcomes
• Maintain up to 60% residential waste diversion from landfill. • Establish advanced energy research centre.	• Achieve 90% residential waste diversion from landfill by 2013. • Higher level of research moves environmental practice forward through joint initiative with the Province.	• Edmonton continues to be a national leader in environmental protection as it relates to waste management practices.
• Assisted Collection Service for residents in need piloted. • Confirmation of the practical feasibility of using excess heat from the Biofuels Facility for district heating.	• City-wide assisted waste collection service implemented. • District heating system established in conjunction with Strathcona County.	• The quality of life for Edmonton and region is enhanced by waste management programs.
• Establish partnerships with public and private organizations.	• Partnerships are realized with operations established in Edmonton.	• Environmentally responsible businesses are attracted to invest in Edmonton.

1.6 Most Significant Driver for Change

The task of achieving these outcomes should be viewed against the challenges of the significant change in the waste management system over the period 2008 to 2013. The City is transitioning to increased waste processing to reduce the amount of waste requiring haul and disposal at a distant landfill. The change is required because of the closure of the Clover Bar Landfill and the pending closure of the West Edmonton Landfill. After an additional 10 years of use made possible by a commitment to waste reduction and diversion from landfill through recycling and composting, the Clover Bar Landfill finally reached capacity after serving Edmonton and region for 35 years.

The cost of using the long-ago developed capacity of the Clover Bar Landfill has been very low, with costs of less than $25 per tonne. This has provided Edmonton with a very low-cost way to manage its waste stream. That era is over. Landfill disposal of waste will now cost between $60 to $70 a tonne, via a transfer haul system, to a landfill an hour's drive from Edmonton.

The change is a significant driver of the increase in user fees to 2013 but it will also establish the platform for controlling the increases in user fees post 2013. This change also provides the opportunity to examine and participate in modest business opportunities that could realize net revenue to be applied to reducing operating costs and by extension, reducing residential monthly utility user fees in future years.

1.7 Revenues/Cost Reduction/Efficiency Initiatives

The 2010 Budget reflects new revenue sources from business opportunities, and efforts to reduce the cost of transition and other aspects of the waste management system. It also reflects ongoing initiatives to deliver an efficient waste management system.

	$(000)
Revenue Initiatives	
Composting Facility carbon offset credits	$ 1,500
Enhanced non-residential waste collection	450
Net construction and demolition waste recycling (based on 2010 Provincial Program start)	1,200
Operating Cost Savings Initiatives	
Replacement of over-aged collection vehicles to provide collection efficiencies	860
Delay by one year the expansion of the litter-free alley pilot into additional alleys in Downtown and Old Strathcona	393
Delay by one year expansion of litter collection service to assess the effect of operational changes introduced in 2009	240
Revised project scheduling	(350)
Efficiency Initiatives	
Using modern GPS technology and optimizing collection zones and routes to improve collection efficiency	300
Establishing in-house operations to replace ongoing wood grinding contracts	250
Using in-house resources for white goods Freon removal	170
Optimizing compost windrow turning	600
Total Revenues/Cost Reduction/Efficiency Initiatives	**$ 5,613**

Additionally, the replacement of revenue with self-liquidating debt financing for capital projects results in an expenditure saving of $2.8 million in 2010.

The result of these efforts is a 15% reduction in the user fees required in 2010 from $34.50 per month (contemplated when Council approved the 2009 Budget) to $29.85.

1.8 Recommended 2010 Operating Budget

Overall, the multi-year financial outlook for the Waste Management Utility is sound for a very new utility. Three factors lead to this conclusion:

1. All closure and maintenance obligations related to the closed Clover Bar landfill are funded.
2. The Waste Management Reserve will permit a staged implementation of fee increases.
3. Grant funding to support processing initiatives is in hand and will continue to be sought.

With completion of the transition to a full utility in 2009, a fiscal policy now needs to be formalized. A Waste Management Fiscal Policy will be developed for Council's approval in 2010. Any financial impacts resulting from the policy review will be phased in and will not impact the Utility's 2010 Budget.

Waste Management - Program Summary

	2008 Actual	2009 Budget	Revenue & Cost Impacts	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Revenues								
[1] User Fee Revenue	48,102	86,858	3,220	8,179	499	98,756	13.7	108,081
[2] Operations Revenue	20,907	20,942	(2,386)	5,785	-	24,341	16.2	31,837
Tax Levy (2008)	29,412	-	-	-	-	-	-	-
Grants	205	-	-	-	-	-	-	-
[3] Transfers from Reserves	-	10,520	-	(4,027)	-	6,493	(38.3)	606
Total Revenues & Transfers	98,626	118,320	834	9,937	499	129,590	9.5	140,524
[4] **Expenditures**								
Collection Services	39,682	49,804	923	1,817	499	53,043	6.5	58,193
Processing & Disposal Services	58,944	68,516	(89)	8,120	-	76,547	11.7	82,331
Total Expenditures & Transfers	98,626	118,320	834	9,937	499	129,590	9.5	140,524
Full-time Equivalents		**365.5**	**1.0**	**46.2**	**1.0**	**413.7**		

Explanatory Notes

[1] User Fee Revenue
User fee revenue will remain the major funding source for the Branch. A single family monthly user fee of approximately $36 is projected to be required by 2013 to fully fund the impact on operations from the depletion of landfill capacity in Edmonton. This increase is being phased-in over a 3-year period by drawing against the Waste Management Reserve. Capital development costs of $120 million (Approved 2009 -11 Capital Budget) and $19 million (projected 2012 to 2013) at the Edmonton Waste Management Centre are required primarily to develop the replacement operations for the Clover Bar Landfill that reached operational capacity in August, 2009. Beyond this transition period of 2009 to 2013, increases in fees will be comparable to inflation.

Currently, the monthly waste service fees are $26.59 per single family residence and $17.29 per multi-family residence. This budget reflects an increase to $29.85 per single family residence and to $19.40 per multi-family unit effective January 1, 2010.

[2] Operations Revenue
Operations Revenue includes facility user fees, revenues from sale of recyclables, greenhouse gas credits, and other revenues. User fees for drop-off services at the Edmonton Waste Management Centre (EWMC) will increase incrementally over the next three years in keeping with market forces and revenue needs. The increase at the EWMC will not apply to homeowners. User fees for Eco Stations will increase at rates comparable to inflation. These increases along with revision of fees for collection services provided primarily to small businesses and unchanged in six years, will be recommended in a subsequent Rates Bylaw to be prepared for Council's consideration once this Operating Budget is approved by Council.

Revenue from recyclables is expected to decline by $2.39 million based on current market conditions. This reflects a 45% reduction from previous years. A return to 2007 levels of revenue from recyclables is not projected in the short term.

All revenue sources and projections are presented in Section 5, Revenue.

[3] Transfer from Reserve
As indicated under User Fee Revenue, in order to phase-in the impact of the closure of landfills in Edmonton, a draw from the Waste Management Reserve is required. The amount of the draw will be reduced significantly in 2011, after which it will no longer be required.

[4] Expenditures
The major service programs, Collection and Processing and Disposal, are described in subsequent sections in this budget to provide greater understanding of revenues, costs, and recoveries associated with the services provided.

Supplementary Notes

1. Branch Operations Support
A total of $7.5 million is needed for the support services provided to the Collection Services and Processing & Disposal Operations. Further discussion of support costs is provided in Section 4.


Litter Collection

2. Branch Contributions
The recommended budget also includes a continued commitment by the Utility of approximately $2.0 million to fund existing litter management including litter collection in business districts, Big Bin Events, neighbourhood clean-up and other initiatives in support of Capital City Clean Up. Litter management is a service that benefits the whole community and cannot be charged specifically to the people who "use" (or create the need for) the service. In that sense, it is a service provided to benefit the broader community and historically paid for by property taxes. Since it is now funded through user fees, it is essentially a contribution made by the Waste Management Utility to the City.

Also, the recommended budget includes a continued commitment to funding a recycling service for the City's operations and offices by the Waste Management Utility. The annual cost of $300,000 is rationalized as a component of the Utility's budget as a contribution to the Corporation.

Key Consideration

Council could consider adding back $393,000 to the recommended 2010 Operating Budget to continue expansion of the litter-free alley pilot into additional alleys in Downtown and Old Strathcona.

This would add approximately a 0.5% rate requirement to the Proposed 2010 Budget. The add back is not recommended by Administration.

(Reference Section 1.7)

1.9 Service Comparisons

The proposed budget reflects a range of services provided to our residents that are not directly comparable to regional municipalities or jurisdictions in other parts of North America. For example, some regional municipalities rely partially on services provided in Edmonton such as Eco Stations and most still have access to low cost landfill disposal.

The following chart provides information on four other municipalities and attempts to convey the differences in the level of service provided

City	Population	2009 Monthly Utility fee	Waste Services
Seattle	**602,000** (2009 estimate)	**$66.90** (CDN) three 120 litre cans $8.24 for each extra garbage bag, bundle or can	Recycling collection Organics collection Hazardous Waste - 3 drop off sites
Toronto	**2,503,281** (2006 census)	**$28.50** 1 bin is equivalent to three large bags (plus $209 in taxes)	Recycling collection Organics collection Hazardous Waste - 6 drop off sites
Edmonton	**782,439** (2009 neighbourhood census)	**$26.59** single family, average annual set-out of 4 bags waste per collection	Recycling collection Organics collection Hazardous Waste - 3 Eco Stations and EWMC
Spruce Grove	**23,326** (2009 census)	**$52.00**/bi-monthly limit of one 240 litre black bin	Recycling collection Organics collection Hazardous Waste - 1 collection centre Edmonton Eco Stations
Strathcona County	**87,998** (2009 census)	**$18.00**	Recycling collection Organics collection Hazardous Waste – summer collection events Edmonton Eco Stations

A direct comparison of services cannot be made between jurisdictions since type and frequency of service and commitment to sustainable landfill diversion systems vary considerably. Landfill diversion initiatives such as recycling are more expensive than landfilling. Additionally, cost accounting varies between municipalities. Edmonton is one of the few municipalities in Canada whose reported waste management fees reflect the true full cost accounting by including allocations for shared services, property management, and central management charges.

1.10 Accountability to City Council and Residents

The Branch's performance measures are consistent with overall outcomes and Council's 30-year Strategic Goals.

Measures	Targets
Service is responsive, dependable and equitable	• Customer satisfaction ratings greater than 85%. • Missed collections 4 or less per 10,000 stops. • Grow diversion of non-residential waste by 5 to 10% per year over the previous year.
Edmonton demonstrates leadership in environmental protection	• Diversion of residential waste 90% by 2013. • 100% compliance with environmental permits and regulation. • Biofuel produced from Edmonton's waste stream by 2012. • Construction and Demolition waste processing system operational by 2011.
The Waste Management system is affordable to residents	• Cost per single family household per day less than $1.
The Waste Management System exemplifies beneficial synergistic programs, technologies, and partnerships	• Rate of increase in recycling and composting by residents no less than the rate of increase in refuse generation. • Closed-loop recycling initiative established for waste office paper.

2. MAJOR SERVICE – COLLECTION SERVICES

MAJOR SERVICES - COLLECTION SERVICES

Provide waste and recyclable collection service for the residential and non-residential sectors, and to manage conveniently located drop off facilities for waste, recyclables and household hazardous wastes.

2.1 Responsibility

In Edmonton, waste and recyclable collection services for residential and non-residential customers are currently provided in three ways:

- by City staff of the Waste Management Branch serving the residential sector and incidental businesses;
- by staff of private companies contracted by the City to help serve the residential sector and incidental businesses; and
- by staff of private companies independently serving the non-residential sector.

While current service provided directly by the Waste Management Branch is focused on the residential sector, a more defined presence in the non-residential sector will commence in 2010. This will influence collection services that include convenient recycling opportunities. Services to be delivered in 2010 include:

- Refuse collection for all single family homes, and multi-family apartments and condominiums.
- Recyclables collection for all single family homes and multi-family apartments and condominiums.
- Refuse and recyclables collection for incidental small business customers who can use bags or cans.
- Eco Stations.
- Community Recycling Depots.
- Litter Basket Collection for Business Revitalization Zones and other commercial areas.
- Big Bin Events for large items.
- Assisted Collection
- Management of assets including 9,750 containers and 120 vehicles.
- Collection services for institutions and City facilities.
- Targeted collection services for non-residential sector.

An integral component of Collection Services is the support provided by the Branch's centralized Community Relations Section to educate residents on the Waste Management Bylaw, on how to properly prepare refuse and recyclables for collection, on Eco Stations use for household hazardous waste and on Big Bin Events for large items. Education is critical to operational efficiency of the overall integrated waste management system and the safety of collectors. Support is also provided to customers to establish new collection services and customer accounts and to arrange for multi-family refuse or recycling bins.

2.2 Issues and Challenges

Personnel Management

Though there has been some recent relief, the ongoing challenges in attracting and retaining skilled staff in Alberta to do a physically demanding occupation (collecting waste).

Contract Management

The need to manage the uncontrollable variables of growth and changes in the waste management industry in Alberta.

System Management

Variables influencing resource requirement and deployment include population growth and geographic expansion of service areas, customer needs and site logistics, traffic congestion, technological advancement, legislative requirements including environmental operating permits and Eco Station capacity.

Asset Management

The operational and financial challenges of managing an inventory of thousands of containers located throughout the City and the increase in pieces of equipment needed to service a growing City; managing the financial impact of fuel prices in operating a large fleet of vehicles that is always on the move; and managing the need for operator training while maintaining essential collection services.

Customer Service Expectation

Managing the expectations of residents within the context of maintaining an equitable City-wide service regardless of growth patterns.

Overall, operation of this major service requires judicious use of available capacity to balance growth in demand for current services with customer interest in enhanced services.

2.3 Opportunity to Excel

In conformance to the Waste Management Policy and in consideration of the needs of residents who want to participate in waste management initiatives in Edmonton but are physically unable to do so, a service to provide assisted collection to this demographic was introduced in 2009. The service consists of the collection of waste and recyclables from the door of these residents and current plans are to offer this service to all areas of our City by the end of 2010. Recipients of the new assisted collection service are expected to be predominantly senior citizens.

The service delivery model also provides a potential opportunity to efficiently collect household hazardous waste for proper disposal and further advance efforts in protecting our environment.

The anticipated cost for a City-wide service of $650K annually represents 1.2% of the annual collection budget for Collection Services. The incremental increase required in 2010 is $308K.

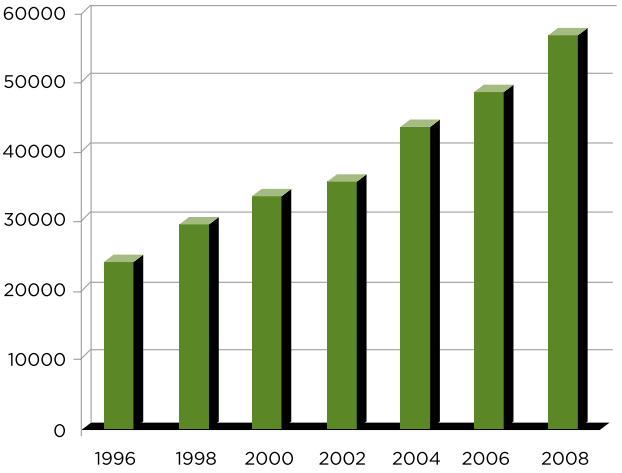
Key Consideration

Complete the roll out of City-wide Assisted Collection as included in the 2010 Operating Budget with a total annual cost of $650K (incremental cost of $308K over 2009).

The cost of the 2010 expansion of the program increases the rate requirement by 0.3%, which has been included in the Proposed 2010 Budget. Continuation and expansion of the program is recommended.

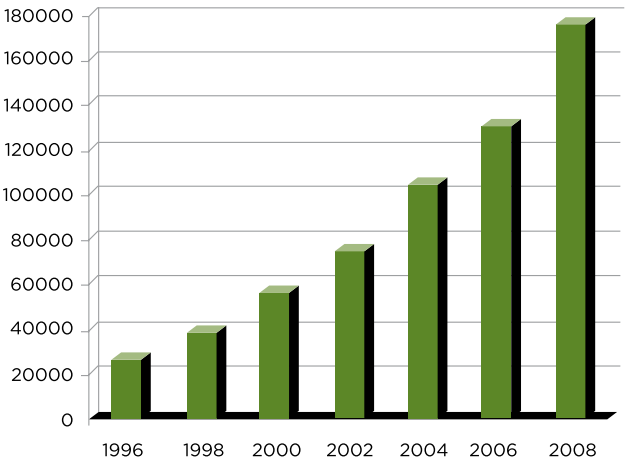
2.4 Current Services

Recycling Collected



Tonnes collected for recycling in City programs

The need for collection services continues to grow. Edmonton's per capita residential waste production (including recyclables) grew slightly, from 0.363 tonnes per person per year in 1997 to 0.379 tonnes per person per year in 2008. However, the proportion of recyclables in the residential waste stream has increased from 11.9% in 1990 to 20% in 2008. The growth in customers at Eco Stations continues to exceed growth in population. Use of Eco Stations grew from 30,000 customers in 1996 to 175,000 in 2008.



Eco Station Vehicle visits

Main Services	Performance/Outputs
Collection Programs Collection of waste and recyclables from single family homes and incidental small businesses using garbage cans, garbage bags and blue bags. Collection of multi-family waste and recyclables using bins, brown for garbage and blue for recyclables.	- 18,000,000 single family collections annually throughout theCity. - 220,000 tonnes of residential solid waste collected. - 47,000 tonnes of recyclables collected. - 324,000 single and multi family households served.
Drop-Off Programs Eco Stations operating under environmental permits where residents can dispose of waste including large items, recyclables, electronic and electrical items, paint and household hazardous waste. A paint exchange is operated at all stations and in 2010 a large item reuse operation will be started. Big Bin Events strategically located on week-ends throughout the City from spring to fall. Neighbourhood Recycling Depots strategically located throughout the City made available for all residents and small businesses. Reuse Centre located centrally to provide opportunity to reuse small items not acceptable in regular recycling programs.	- 3 Eco Stations operated year-round with excellent customer satisfaction rating of 95% - 12 Big Bin Events annually on week-ends with 2,000 tonnes collected. - 22 Community Recycling Depots City-wide available 24/7. - 8,900 tonnes recyclables collected from depots. - 1 Reuse Centre available year-round. 90% of material reused or recycled. 350 volunteers provided more than 5,000 hours through the Master Composter/Recycler Program and the Reuse Centre to support Branch needs.
Litter Management Programs Litter collection from containers located along main thoroughfares in commercial areas, primarily business revitalization zones, and adjacent neighbourhoods where warranted, e.g., Oliver. Litter collection from containers located around businesses participating in the Capital City Clean Up Business Supporting Community program.	- 1,450 litter containers serviced year-round. - 70 business locations serviced in Business Supporting Community program.

2.5 Service Levels

Current (2009) Service Level	Key Resource Requirements 2010 budget	Capacity of Service	Benefits of Service
1. COLLECTION PROGRAMS			
For **single family collection** frequency is every 8 working days in the non-peak (winter) months, and every 5 working days in peak (summer) months. For **multi-family collection**, frequency is based on site requirements	**Personnel:** 143 FTEs including front-line labour, inspectors, engineers, administration and management. **Mobile Equipment:** 100 vehicles including waste collection vehicles, bin collection vehicles, and light duty vehicles. **Contracted Services:** $11.6 million annual curb-side waste collection contract for servicing half of the City of Edmonton, $5.3 million annual for multi-family waste collection contract. **Assets** 7,200 waste bins owned and maintained by the City of Edmonton.	For single family service delivery, each crew collects up to 600 households per shift. Service is split equally with contractors For multi-family service delivery, contracted crews provide the majority of the service.	Continue to meet expectations for excellent customer service and for efficient and effective services that help to maintain a healthy community.
2. DROP-OFF PROGRAMS			
Operating hours for **Eco-Stations** are: **Summer** April to October, 9am to 6:30pm, Monday to Saturday. **Winter** November to March 9am to 4:30pm, Tuesday to Saturday. **12 Big Bin Events** strategically located throughout the City from spring to fall. **22 Neighbourhood Recycling Depots** strategically located throughout the City.	**Personnel:** 69 FTEs including front-line labour, engineers, administration and management. **Mobile Equipment:** 15 pieces of equipment including collection vehicles, transport van, skid steer equipment and light duty vehicles. **Contracted Services:** $1.7 million annual off-site processing contracts of material received through Eco Station Program. **Assets:** 850 waste bins and containers for Eco Stations, Depots and Big Bin events owned and maintained by the City of Edmonton.	187,000 customer visits per year to Eco Stations and Big Bin Events. All services with exception of processing of special wastes from Eco Stations are performed by City crews.	Handle recyclables, refuse, and Household Hazardous Waste (HHW) in an environmentally responsible. manner.
3. LITTER MANAGEMENT PROGRAMS			
Service provided at a frequency of 2 to 7 days per week depending on location in the City.	**Personnel:** 20 FTEs including front-line labour, administration and management. **Mobile Equipment:** 11 vehicles including litter collection vehicles. **Contracted Services:** $110,000 annual litter basket maintenance and other service related. **Assets** 1,750 litter containers owned and maintained by the City of Edmonton.	Each crew services a minimum of 300 litter baskets in one shift	Contribute to a clean and healthy City by maintaining litter service in high pedestrian areas.

2.6 Strategic Initiatives

Strategic Initiative #1 – Alternate Fuel Sources

10 Year Strategic Goal/ 3 Year Priority Goal	Initiative	Outcomes	
		Immediate & Intermediate	Ultimate
Preserve and sustain Edmonton's environment by decreasing the consumption of non-renewable resources in city operations.	**Alternate Fuel Sources** Demonstrate (pilot) effective use of landfill gas currently extracted from Clover Bar Landfill and ethanol produced from solid waste at the planned Biofuels Facility to fuel waste collection vehicles.	Partnership funding secured and pilot demonstrates feasibility of using biofuels in civic equipment.	Edmonton continues to be a national leader in environmental protection as it relates to waste management practices.

2010 BUDGET IMPACT

Base	Capital budget of $500K ($250K City and $250K potential partner) for vehicles and fueling system and $1.5 million (potential grant) for processing system. These are capital costs and as such not added to the base operating budget.
Incremental	Actual impact on the base operating budget is expected to be an incremental amount of less than $100,000 for equipment and labour costs.

Key Consideration Continue the Alternate Fuel Sources Strategic Initiative as planned for 2010 with $250,000 in capital expenditures and $100,000 in operating expenses.
The operating impact of 0.1% increase in rate requirement is included in the Proposed 2010 Budget. Continuation of the Strategic Initiative is recommended by Administration.

Strategic Initiative #2 – Commercial Waste Diversion from Landfill

10 Year Strategic Goal/ 3 Year Priority Goal	Initiative	Outcomes	
		Immediate & Intermediate	Ultimate
Preserve and sustain Edmonton's environment by increasing and broadening advancement towards zero waste.	**Establish Demonstration Commercial Collection Service** Establish strategic presence in commercial collection with service for full collection and handling of refuse and recyclables.	Resources are established and maintained to demonstrate financial feasibility of commercial waste diversion. Pending market forces, up to 70 % diversion of waste collected.	Edmonton continues to be a national leader in environmental protection as it relates to waste management practices.

2010 BUDGET IMPACT

Base	Projected expenditure is estimated at $216,000 and is included in the 2010 budget.
Incremental	In 2010, a development year, revenue is expected to cover 43% of operating expenditures. Any incremental increase above planned expenditure will occur only if covered by offsetting revenue.

Key Consideration Initiate a commercial collection service as outlined in the Commercial Waste Diversion from Landfill Strategic Initiative with a planned expenditure of $216,000 (offset by $93,000 in revenue) in 2010. This slightly greater than .190% rate impact is included in the Proposed 2010 Budget. Initiation of the service is recommended.

2.7 Recommended 2010 Operating Budget

Waste Management - Collection Services

	2008 Actual	2009 Budget	Revenue & Cost Impacts	[1]Service & Delivery Changes	[2]Growth	2010 Budget	% Change '09-'10	2011 Forecast
Revenues & Transfers								
User Fee Revenue	7,186	46,588	1,163	1,539	499	49,789	6.9	54,606
Operations Revenue	3,084	3,216	(240)	278	-	3,254	1.2	3,587
Tax Levy (2008)	29,412	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Transfers from Reserves	-	-	-	-	-	-	-	-
Total Revenues & Transfers	39,682	49,804	923	1,817	499	53,043	6.5	58,193
Expenditures & Trasfers								
Personnel	13,030	16,240	427	1,029	94	17,790	9.5	19,517
Material & Equipment	1,201	919	(57)	94	-	956	3.9	1,048
Contracts	14,370	17,375	111	512	377	18,375	5.8	20,160
Fleet Services	7,885	9,074	224	(790)	28	8,536	(5.9)	9,364
UIS Charges	1,553	1,644	16	-	-	1,660	1.0	1,822
General Services	260	403	-	-	-	403	-	442
Intra-municipal Services	193	1,657	124	179	-	1,960	18.3	2,150
Utilities	319	459	62	(65)	-	456	(0.6)	500
Financial	552	1,847	-	860	-	2,707	46.6	2,971
Other	145	195	7	(2)	-	200	2.2	219
Transfer to Reserves	-	-	-	-	-	-	-	-
Subtotal	39,508	49,813	914	1,817	499	53,043	80.8	58,193
Intra-municiple Recoveries	174	(9)	9	-	-	-	-	-
Total Expenditures & Transfers	39,682	49,804	923	1,817	499	53,043	6.5	58.193
Full-time Equivalents		**237.9**	**0.5**	**10.5**	**1.0**	**249.9**		

Budget Changes for 2010 ($000)

Revenue Changes

$ 2,701	Rate increase required to fund increased costs of Collection Services ($1,163 relates to inflationary needs while $1,539 is required for change in service delivery)
499	Growth in customer base
38	Other revenue changes
$ 3,238	Total Revenue Changes

Cost Changes

$ 427	Inflationary - personnel
496	Inflationary – non-personnel
$ 923	Total Cost Changes

Service & Budget Review and Growth

$ 1,817	Operational changes from centralizing transfer operations at the Edmonton Waste Management Centre, annualization of Ambleside Eco Station and Assisted Collection Services to full year operation, and impact of debt financing of capital projects.
499	Customer growth and servicing of additional litter containers in existing service areas.
$ 2,316	Total Service & Budget Review and Growth

Explanatory Notes

[1] Collection Services are impacted by a number of factors in 2010, including annualization of operations to full year, centralizing all transfer operations, and moving towards a 50% distribution of multi-family collection between in-house staff and external contracts.

The Ambleside Eco Station is expected to open in fall 2009, and the full year operational costs have been reflected in the Proposed 2010 Budget. Also included in full year costs is delivery of Assisted Collection to residents with demonstrated need.

With the closure of the Clover Bar Landfill, Processing and Disposal Services takes on full responsibility for transfer and hauling of materials to landfill. This function is now centralized at the Edmonton Waste Management Centre.

Also affecting the Proposed 2010 Budget is the increase in debt financing (principal and interest) of capital projects.

These increased expenditures are funded through increased rates.

[2] Growth relates to projected increase in collection services for single and multi-family residential customers and servicing of additional litter containers in existing service areas. The projection has been based upon the current economic outlook.

Provision of processing and disposal services for waste and recyclables through highly integrated facilities and programs at the Edmonton Waste Management Centre.

3. MAJOR SERVICES – PROCESSING AND DISPOSAL

3.1 Responsibility

These operations are key to the City's success in diverting waste from landfill, up to 60% of the residential stream in the short term and up to 90% by 2013.

The EWMC is a fully integrated waste management site where the focus is to process waste streams into resusable and marketable products. Waste that cannot be recovered is disposed at landfills where service is contracted. The City has a long term contract with the Beaver Regional Waste Management Services Commission for use of its landfill at Ryley and an agreement to access capacity at the private West Edmonton Landfill until its projected closure in 2012.

Facilities and operations at the EWMC are either owned by the City and operated by Branch and/or contracted staff or owned and operated by third-parties.

Branch Operations

The Waste Management Branch is directly responsible for operation of the following programs and facilities.

- The EWMC site, including the truck scale/records/billing system, upkeep of roads and other infrastructure.
- The Homeowner Drop Off Facility – a convenient facility for citizens to dispose of or recycle various materials without going to the busy transfer station.
- The construction and demolition (C&D) waste recycling operation.
- The open-air component of the organics management program, including finishing of compost produced by the Edmonton Composting Facility (ECF), year-round composting of biosolids for the Drainage Services Branch and grinding of wood waste for use in the composting processes.
- The Integrated Processing and Transfer Facility – a major new operation providing the capacity to transfer waste to landfill, and to process waste for the Edmonton Composting Facility and the future Biofuels Facility.
- The haul of approximately 75% of the total materials destined for landfill with a fleet of highway trucks and trailers.

Contracted Operations

The Waste Management Branch manages the following programs and facilities which are operated by contracted service providers.

- The Edmonton Composting Facility – processing residential waste to produce compost for agricultural and other uses.
- The Materials Recovery Facility (MRF) – sorting collected recyclable materials and marketing them.
- The compost marketing program – sales and services to sell, deliver and apply compost to various market sectors.
- The NutriGold biosolids-to-farmland program.
- The contracted hauling of approximately 25% of the total materials destined for landfill.

Edmonton Waste Management Centre

- Two landfill services contracts – an existing one for use of the West Edmonton Landfill and the relatively new long-term one for use of the Ryley Landfill.

Private Operations

The following third-party owned facilities operate on the EWMC site:

- Electronic and Electrical Waste Recycling – operated by GEEP.
- Landfill Gas Recovery Facility – operated by EPCOR, producing 4.8MW of power from landfill gas.
- The University of Alberta Special Lab Waste Transfer Station – processing lab chemicals from various campuses/facilities to prepare for recycling or destruction at other locations.

The EWMC is also the base of operations for the Edmonton Waste Management Centre of Excellence, where much of the Branch's development work on improved processes and applications is conducted.

The Branch's centralized Community Relations Section delivers programs at the EWMC to support public participation and education initiatives. Key among them are the tours and education programs jointly funded with the Edmonton Public School Board, that provide 12,000 students and parents annually with instruction and first hand viewing of processing operations. Tours are also delivered to seniors groups and others interested in Edmonton's waste management processes. Through community relations efforts ongoing community input is garnered for planning and operation of the EWMC.

3.2 Issues and Challenges

Landfill Closure - The recent start-up of the transfer component of the Integrated Processing and Transfer Facility and establishment of a fleet of trucks and trailers to haul waste to distant landfill necessitates optimization efforts being carried out while delivering service seven day a week.

Markets – In 2008 global markets for recyclables collapsed, significantly reducing revenue from sale of recyclables in 2009. This impact is not expected to be alleviated in 2010.

Waste Volume Variability – The Edmonton Waste Management Centre (EWMC) is the main destination for all municipally managed and some commercially managed waste materials in Edmonton and area. The City does not control private sector haulers of waste; therefore, the volumes delivered to EWMC annually are estimated. This makes it challenging to plan the optimum resourcing levels required to provide a responsive service.

Partners – The GEEP Facility, Landfill Gas Facility, and future Greys Paper and Biofuels Facilities are/will be owned/operated by others, some of whom are involved in contractual relationships with the Branch. The synergistic operational interfaces require varying degrees of management and support.

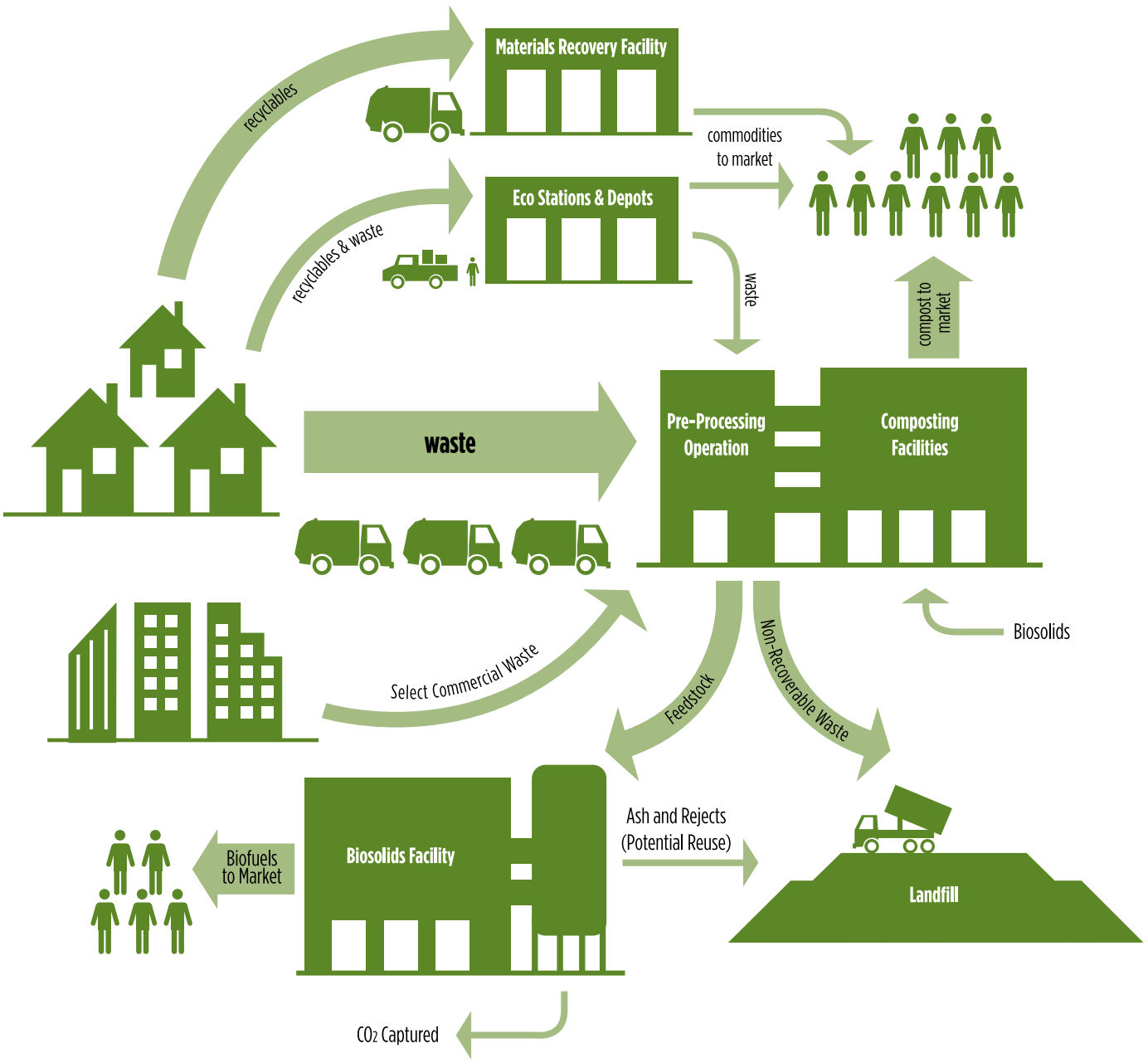
Limited Land Availability – The Edmonton Waste Management Centre is almost completely assigned with a variety of facilities and operations. While opportunities for future growth, including new partnerships, are expected, there is very little developable space remaining at the EWMC. A multi-year effort to obtain affordable land for expansion of the EWMC continues.

3.3 Opportunity to Excel

With landfill costs rising, the opportunity exists to invest in the capability to recycle and recover more from our waste at costs that will be offset by the larger savings of avoiding the landfill expense. Additionally, with cheap landfill no longer available, generators of waste, including the residents of Edmonton, will necessarily have to pay more to have their materials handled. At the higher costs, there are options other than landfill that can, for often small incremental costs, recover value from previously landfilled material.

The Branch has positioned itself to take advantage of these opportunities. Once fully implemented, these new capabilities will enable Edmonton to divert up to 90% of the residential waste stream from landfill by 2013. At the same time, the Branch will have the capacity to recover a growing stream of usable material from the commercial and construction and demolition waste streams. The following illustration shows how some of the components of the new system contribute to achieving these goals.

90% Diversion of Residential Solid Waste



Beyond the integrated components illustrated above, further opportunities for resource recovery at the EWMC include:

- The homeowner drop-off facility – where experience has shown that Edmontonians are happy to take advantage of multiple recycling opportunities offered, separating metals, organics, electronics and other materials from their waste so that the Branch can recycle them.
- The privately operated GEEP electronics recycling facility, where most of Edmonton's e-waste is processed with a material recovery rate of almost 100%.
- The construction and demolition (C&D) waste recycling area, where separated materials such as metals, wood, concrete, asphalt, brush, shingles and drywall can be delivered at a reduced fee, so that the Branch can easily process it for re-use – much of it within our own operations.
- On the horizon, the Greys paper and glass recycling plants, where a unique "closed-loop" opportunity will provide the City of Edmonton and Edmonton region businesses the opportunity to have their office paper re-processed into new paper products that they can then buy back to use in their operations. The glass process will provide a higher value option for the re-use of the glass Edmontonians already recycle, by having it incorporated into landscaping bricks which can then be bought and used in the community.

The EWMC is also the base of operations for the Edmonton Waste Management Centre of Excellence, through which much of the Branch's development work on improved processes and applications is conducted. Among the successes achieved at the Centre was the development of the street sand recycling technology which now enables the Transportation and Streets Department to divert thousands of tonnes of sand from landfill and save over $6 million per year in the process.

3.4 Current Services

Main Services	Performance/Outputs
Centralized Customer Service Processing delivery of loads of materials from City operations, City-contracted operations, commercial haulers, businesses and homeowners.	- In 2008, 180,000 loads were processed. Of those, an estimated 73,000 were citizens delivering debris generated from homes. - The Branch collected over $12.5 million in revenues in 2008 from fees at the EWMC. - Only 2 service complaints relating to the EWMC were received in 2008.

MAJOR SERVICES - PROCESSING AND DISPOSAL

Main Services (con't)	**Performance/Outputs** (con't)
Organics Processing Open-air component of the organics management program, including finishing of compost produced by the Edmonton Composting Facility (ECF), year-round composting of biosolids for the Drainage Services Branch and grinding of wood waste for use in the composting processes. Edmonton Composting Facility – processing residential waste to produce compost for agricultural and other uses – operated by contracted service provider. The compost marketing program – sales and services to sell, deliver and apply compost to various market sectors. Contracted service. The NutriGold biosolids-to-farmland program – operated for Drainage Services and coordinated with compost marketing efforts.	- Since 2000, the organics program has processed over 1,258,000 tonnes of residential solid waste and 90,700 tonnes of biosolids. Approximately 0.4 tonnes of compost can be produced from 1.0 tonne of residential solid waste. - Over 205,000 tonnes of compost have been used in civic operations or marketed. - The organics program has reduced GHG emissions from landfill by over 700,000 tonnes since inception.
Transfer Operations The first stage of the Integrated Processing and Transfer Facility providing the capacity to transfer waste to landfill. The haul of about 75% of the total materials destined for landfill with a fleet of highway trucks and trailers. The contracted hauling of the 25% balance of landfilled waste to destination landfills.	- The new transfer operation is expected to handle about 200,000 tonnes in 2010, involving over 8,300 truckloads of material.
Pre-Processing Operations (Start early 2010) The second stage of the Integrated Processing and Transfer Facility, utilizing manual and mechanical means to process raw incoming waste to recover recyclables and prepare feedstock for the Compost Facility and for the Refuse Derived Fuel (RDF) operation.	- Designed to process 100 tonnes per hour of mixed solid waste and recover an additional 20,000 tonnes of recyclable material. Once all facilities are operational, it will process about 250,000 tonnes of material per year.

Main Services (con't)	**Performance/Outputs** (con't)
Refuse Derived Fuel (RDF) Operations (Start 2011) The third stage of the Integrated Processing and Transfer Facility that produces the feedstock for the Biofuels Facility	- The operation will use mechanical processes to produce 100,000 tonnes per year of uniform feedstock that will ultimately be transformed to methanol then ethanol in the Biofuels Facility.
Materials Recovery Facility (MRF) Operations Processing of Blue Bag and Blue Bin recyclables.	- Since start up in 1999, the MRF has produced 310,000 tonnes of recycled commodities. - In 2010, it is projected to process 55,000 tonnes of material.
Homeowner Drop Off Operations	- A convenient opportunity for citizens to not only drop off trash, but to take advantage of opportunities to recycle metals, organics, tires, batteries, electronics and other materials and to drop off Household Hazardous Waste for safe disposal.
Environmental Operations	- The Branch is ISO 14001: 2004 certified. The EWMC operates under two approvals from Alberta Environment and one from the Canadian Food Inspection Agency which require diligent effort in environmental monitoring.
Research and Development The Branch works through the Edmonton Waste Management Centre of Excellence to conduct its research with the goal of improving the efficiency and performance of operations and to meet regulatory requirements.	- Among the successes of the research and development program is the development of the City's award-winning street sand recycling program, which is estimated to save the City over $6M per year for the street abrasives program.

MAJOR SERVICES - PROCESSING AND DISPOSAL

Main Services (con't)	**Performance/Outputs** (con't)
Management of other Private Operators - Two landfill services contracts – an existing one for use of the West Edmonton Landfill and a relatively new long-term one for use of the Ryley Landfill. - Electronic and Electrical Waste Recycling – operated by GEEP - Landfill Gas Recovery Facility – operated by EPCOR, producing 4.8MW of power from produced landfill gas. - The University of Alberta Special Lab Waste Transfer Station – processing lab chemicals from various campuses/ facilities to prepare for recycling or destruction at other locations.	- Private operations at the Edmonton Waste Management Centre employ approximately 160 staff. - In partnership with EPCOR, the landfill gas recovery system produces 4.8MW of electricity and has eliminated 150,000 tonnes of GHG emissions annually.
General Site Operations - Roadway upkeep - Sweeping and snow clearing of the network of roadways, aprons and working areas - Upkeep of the planting beds and landscaping on the site, including landfill revegetation that is a requirement of the operating approval. - Litter clean-up - Maintenance of equipment and infrastructure.	- The site covers over 200 hectares (500 acres); - There are over 19km of roadway. - The investment to date in capping and revegetating the landfill is over $5 million. - Over 100 pieces of mobile equipment are in use at the EWMC, with another 40 involved in the hauling operation.

Materials Recovery Facility

3.5 Service Levels

Current (2009) Service Level	Key Resource Requirements 2010 Budget	Capacity of Service	Benefits of Service
EDMONTON WASTE MANAGEMENT CENTRE			
Gates are open 7:30am to 7:00pm weekdays and 8am to 5pm weekends. During peak periods, operations continue on as-needed basis to receive materials coming in from late collection shifts – sometimes as late as 11pm. Site is only closed three days a year – Christmas, Boxing Day, and New Year's Day. **Organics processing system**, in particular the Composting Facility, operates 24/7 to keep up with volume. **Recycling processing** at the Materials Recovery Facility continues 20 hours/day five days a week with weekend shifts as required. **Landfill** operated from 12 to 20 hours a day, 7 days a week, depending on volumes. **Homeowner Drop-off and other site operations** extend the same as gate hours, with staff spending an additional hour per day in pre- and post- receiving duties. Over 515,000 tonnes of materials were received and processed at the Edmonton Waste Management Centre in 2008, delivered by 225,000 vehicles which had to be duly weighed with fees collected.	**Personnel:** Labour, customer attendants, equipment operators, engineers, technologists, administrative and management - 145 FTEs. **Mobile Equipment:** Over 100 pieces of equipment including wheel loaders, grinders , trommels and long haul tractors and trailers. **Contracted Services:** Materials Recovery Facility Operation $5.8 million/yr Organics Operation $9.6 million/yr. Landfill disposal $7.6 million/yr Long distance hauling $4.5 million/yr.	The Edmonton Waste Management Centre is open to customers 4,000 hours per year while actual operations are carried out for 4,800 hours per year. In 2010, on average 60 Branch staff are needed per operating hours for duties at the Edmonton Waste Management Centre. In 2010 the Edmonton Waste Management Centre is projected to receive approximately 450,000 tonnes of material for processing and/or disposal. The Edmonton Waste Management Centre is an industrial subdivision with most of its 19 km of roadway unpaved. This site is heavily-used and maintenance activities are ongoing. Effective maintenance services from Fleet Services is key to keeping critical equipment in service to meet the Branch's service objectives. Contracted services are established to enable effective service delivery while maintaining a stable core of city personnel and equipment to effectively control operations and provide in-house capacity in event of contractor default or strike.	Divert 90% of the residential waste stream from landfill by 2013.

3.6 Strategic Initiatives

Strategic Initiative # 1– Closed Loop Recycling

10 Year Strategic Goal/ 3 Year Priority Goal	Initiative	Outcomes	
		Immediate & Intermediate	Ultimate
Diversify Edmonton's Economy by working with both public and private sector partners to develop eco-industrial development complimentary to operations at the EWMC and to further advance Edmonton's reputation as a world leader in environmental initiatives. Preserve and sustain Edmonton's environment by increasing and broadening advancement towards zero waste.	**Closed Loop Recycling** Partner with Greys Paper Recycling Inc. in developing a closed loop paper manufacturing facility at the Edmonton Waste Management Centre.	Project proceeds as planned and resource conservation achieved through partnership with eco-industrial business. Closed-loop recycling established in Edmonton. The Waste Management System exemplifies synergistic programs, technologies, and partnerships. Increased progress towards zero waste	Edmonton continues to be a national leader in environmental protection as it relates to waste management practices. Environmentally responsible businesses are attracted to invest in Edmonton.

2010 BUDGET IMPACT

Base	Business case analysis determined benefit of partnership. There will be no impact on monthly user fees and no permanent addition to the base budget.
Incremental	Actual impact on operating budget is expected to be positive on full commissioning of the facility in 2011.

Strategic Initiative #2 – Processing of Commingled Construction and Demolition Waste

10 Year Strategic Goal/ 3 Year Priority Goal	Initiative	Outcomes	
		Immediate & Intermediate	Benefits of Service
Preserve and sustain Edmonton's environment by increasing and broadening advancement towards zero waste.	**Processing of Commingled Construction and Demolition Waste (at the Edmonton Waste Management Centre)** Develop and implement an expanded Construction and Demolition waste program with adequate capacity to process and recycle up to 50% or approximately 150,000 tonnes of the estimated 300,000 tonnes of material generated in the Capital Region.	Required infrastructure is phased in by 2011. Facility performs as planned and expected volumes and revenues are realized.	Edmonton continues to be a national leader in environmental protection as it relates to waste management practices.

2010 BUDGET IMPACT

Base	Capital expenditure of $0.5 million in 2009, $1.3 million in 2010 and $2.5 million in 2011 included in base budget with revenue exceeding expenditures starting in 2010.
Incremental	$1.9 million in operating expenditure offset by $3.1 million in revenue in 2010. Rate of receipt of material will dictate expenditure.

Key Consideration Expand the existing construction and demolition program at the Edmonton Waste Management Centre at an operating expenditure of $1.9 million offset by $3.1 million in revenue. This initiative will result in projected net revenue of $1.2 million (Revenue projection of $3.1 million less $1.9 million in expenditure). This initiative enables a reduction of 1.4% in rate requirement in the Proposed 2010 Budget. This initiative is recommended by Administration.

3.7 Recommended 2010 Operating Budget

Waste Management - Processing and Disposal Services

	2008 Actual	2009 Budget	Revenue & Cost Impacts	[1]Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Revenues & Transfers								
User Fee Revenue	40,916	40,270	2,057	6,640	-	48,967	21.6	53,476
Operations Revenue	17,823	17,726	(2,146)	5,507	-	21,087	19.0	28,250
Tax Levy (2008)	-	-	-	-	-	-	-	-
Grants	205	-	-	-	-	-	-	-
Transfers	-	10,520	-	(4,027)	-	6,493	(38.3)	606
Total Revenues & Transfers	58,944	68,516	(89)	8,120	-	76,547	11.7	82,331
Expenditures & Transfers								
Personnel	5,657	9,178	424	2,464	94	12,066	31.5	12,979
Material & Equipment	3,397	4,171	(1,692)	906	-	3,385	(18.8)	3,641
Contracts	23,638	29,534	1,063	4,580	377	35,177	19.1	37,836
Fleet Services	757	2,036	41	2,988	28	5,065	148.8	5,447
UIS Charges	1,553	1,644	16	-	-	1,660	1.0	1,786
General Services	284	398	(209)	-	-	189	(52.6)	203
Intra-municipal Services	218	1,769	593	-	-	2,362	33.5	2,540
Utilities	2,195	3,745	(327)	147	-	3,565	(4.8)	3,835
Financial	21,611	21,980	-	(2,787)	-	19,193	(12.7)	20,644
Other	367	374	2	-	-	376	0.6	404
Transfer to Reserves	3,689	-	-	-	-	-	-	-
Subtotal	63,366	74,829	(89)	8,299	499	83,038	146	89,314
Intra-municiple Recoveries	(4,422)	(6,313)	-	(178)	-	(6,491)	2.8	(6,983)
Total Expenditures & Transfers	58,944	68,516	(89)	8,120	499	76,547	11.7	82,331
Full-time Equivalents		**127.6**	**0.5**	**35.7**	**1.0**	**163.8**		

MAJOR SERVICES - PROCESSING AND DISPOSAL

Budget Changes for 2010 ($000)

Revenue Changes

$ 8,697	Rate increase required to manage hauling to Ryley and West Edmonton Landfills and planned phase-out of reserve transfer for operational needs.
5,507	Pre-processing activities, construction & demolition recycling, GHG credit, etc.
(2,146)	Decline in market rate for recyclable materials
(4,027)	Draw from Waste Management Reserve, at a reduced amount from 2009, as part of the transition to fully fund the Branch from revenues
$ 8,031	Total Revenue Changes

Cost Changes

$ 424	Inflationary - personnel
1,179	Inflationary – non-personnel
(1,692)	Reduced equipment needs with closure of landfill
$(89)	Total Cost Changes

Service & Budget Review

$ 4,458	Long haul costs to to Ryley and West Edmonton Landfills (includes in-house and contract costs)
3,034	Annualization of Integrated Processing & Transfer Facility to full year operation
1,900	Expansion of construction and demolition recycling operation
1,183	Increased landfill disposal costs at Ryley and West Edmonton Landfills
1,000	Pursue business development opportunities
(68)	Other costs adjustments
(600)	Optimizing compost windrow turning
(2,787)	Reduced capital project financing costs by restructuring of financing terms and mix
$ 8,120	Total Service Needs

Explanatory Notes

[1] The most significant impact to the operations of the Waste Management Branch is the closure of the Clover Bar landfill and the pending closure of the West Edmonton Landfill in 2012. While the City of Edmonton has secured an alternate disposal site at Ryley, there are increased costs associated with additional processing, separation, and long distance hauling and disposal.

The additional transportation cost to haul refuse to Ryley and West Edmonton Landfills is estimated at $4.5 million. This includes the consolidation of transfer operations referenced under the Collection Services section. In July 2009, Council approved an agreement with the Beaver Regional Waste Management Services Commission to provide roughly 25% of the hauling requirement to the Commission's Ryley Landfill. The balance is being provided by adding in-house staff and equipment. In addition, the cost of disposal at Ryley and West Edmonton Landfills is higher than the cost incurred at the Clover Bar Landfill by approximately $1.2 million.

The transfer component of the Integrated Processing and Transfer Facility started on September 9, 2009 and the pre-processing component is expected to be commissioned by the end of 2009. The pre-processing will reduce the amount of waste that would ultimately have to be hauled to landfill for disposal. The annualized cost of the Facility to full-year operation is $3.0 million.

As discussed in Section 3.6, the Branch is developing a commingled construction and demolition recycling operation in anticipation of new legislation coming into effect in 2010. This has been reflected in the proposed budget.

Consistent with Council's vision, the Branch will continue to pursue complementary activities that would Preserve and Sustain Edmonton's Environment while Diversifying Edmonton's Economy. $1.0 million has been allocated to pursue these opportunities. Recent success from such efforts includes the Global Electric and Electronic Processing, Bio-fuels Facility, and Greys Paper Closed-Loop Recycling.

As part of the strategy to moderate rate increases, $4 million in planned revenue financing of capital projects has been replaced by self-liquidating debt financing (net expenditure saving of $2.8 million in 2010). This provides further opportunity to phase-in the required rate increases over the next three years.

4. SUPPORT TO MAJOR SERVICE PROGRAMS

4.1 Direct Support to Residents and Customers

Three services provide support to the public operations of the Branch that are delivered directly to residents and customers:

The Community Relations functions within the Waste Management Branch encompasses public education, social marketing, volunteer management and customer support services to build awareness of and participation in Edmonton's waste management system. The overall outcomes of these functions include waste reduction of approximately 25,000 tonnes per year (which does not need to be processed), 89% participation in blue bag recycling, proper materials being set out for recycling, and low amounts of household hazardous waste in the garbage stream. Residents' active participation in Edmonton's waste management system is essential to its proper functioning. The services provide a direct link to the community through volunteer and outreach programs, provide ongoing community feedback on operations, and provide community input into planning and system development. Volunteers consistently provide at least 5,000 hours in support of Branch activities annually.

Central Branch Management includes the functions of Customer Operations and Liaison (provides customer specific resolution directly or in conjunction with EPCOR on customer service and billing issues, and overall information technology planning) and the Manager's Office (provides overall branch business planning and operational support, corporate planning support and strategic direction).

Utility Billing Services are provided through EPCOR, based on a negotiated cost per billing unit and administered through a service level agreement. Services provided include customer account management, revenue management, bill production and receivables management.

Service	2009 Budget ($000's)	2010 Budget ($000's)
Community Relations	1,828	2,268
Central Branch Management	1,786	1,938
Utility Billing (EPCOR)	3,288	3,320
Total	**6,902**	**7,526**

These costs are allocated equally to the two major service programs.

The change in expenditure is required for inflationary increases, support for new needs in Collection Services e.g. Assisted Collection, Reuse Centre customer growth and planned customer billing support.

4.2 Internal Support to the Branch

Support services provided by other Departments/ Branches are delivered internally to the Branch in support of its ongoing operations.

As a utility operation, the Waste Management Branch is responsible for paying a fair share of support received from corporate departments. Human Resources, Information Technology, Finance & Treasury and Corporate Services are provided through a **Shared Services** model, which provides dedicated and shared support to the Branch. Costs are recovered from the Waste Management Utility based on either direct benefit of individuals working with the Branch, or an estimate of the portion of the total time or volume the service is provided.

Other support costs cannot be assigned using time and volume measures, and are therefore assigned on broader measures such as the magnitude of budget dollars. Included in these **Central Management Charges** would be corporate-wide offices.

The Waste Management Utility is also responsible for all costs associated with the space and facilities it occupies in corporately funded buildings, including rent, maintenance and operating costs (utilities, custodial etc.). These costs are paid to the **Corporate Properties Branch**.

Service	2009 Budget ($000's)	2010 Budget ($000's)
Shared services / Central management charges	2,380	2,500
Corporate Services space and facility charges	800	840
Total	**3,180**	**3,340**

These costs are allocated equally to the two major service programs.

5. REVENUE

The conversion of Waste Management to a full utility effective January 1, 2009 results in all costs being funded first by operational revenues, then by monthly user fees and as required a draw from the rate stabilization reserve.

The **monthly fees** are paid by the total residential sector, single family and multi-family. The monthly fee paid by multi-family is 65% of the monthly fee paid by single family, based on comparative volumes of waste produced.

The Branch's operations revenue is derived from fees charged for use of collection services or processing or disposal facilities, the sale of the end-products of the processing activities, and contractual arrangements with third parties located at the Waste Management Centre. The following table provides a summary of the revenue sources. A brief description of the major operations revenues follows:

Facility usage fees approved through bylaw

- EWMC: Fees are charged on a tonnage basis. Fees vary based on the type of material and customer type (commercial vs. residential).
- Eco Stations: Fees are charged based on the type and volume of the material. An underlying goal of removing these items from the normal waste disposal stream keeps the rates at a level to discourage indiscriminate dumping/littering.

Services provided for in the Waste Management Bylaw, at fees based on market and operations considerations

- Trade-waste Collection: Fees for collection services provided to small businesses and for extra collection services for multi-family sites are based on volume and frequency.
- Construction Demolition: Over one-half of the regional waste stream is construction and demolition waste. Fees are set to encourage delivery of easily segregated and processible loads. The planned development of a service to recycle construction and demolition waste received in a commingled manner provides good revenue potential.

Sale of processing end products through third parties

- Recyclable material. Sale of recyclable material recovered form the Materials Recovery Facility, Recycling Depots, Eco Stations, Integrated Processing and Transfer Facility and composting operations. Revenues are highly influenced by commodity markets.

Revenue through contractual arrangements

- Land lease and business related revenue sharing with GEEP and Greys Paper Recycling, private companies located at the Edmonton Waste Management Centre.

Environmental Offsets

- Carbon offset credits generated from the reduction of greenhouse gases by composting operations (125,000 tonnes of CO_2) and recovery of landfill gas for power production by EPCOR (145,297 tonnes of CO_2).

The estimated Waste Management Branch revenue for 2010 and projections to 2014 is provided.

2009-2014 Revenue Summary	2009	2010	2011	2012	2013	2014
User fees charged on monthly utility bill						
Single-family residential	57,575	65,280	71,208	76,876	82,826	87,409
Multi-family residential	29,119	33,345	36,738	39,662	42,732	45,096
Sub-total	**86,694**	**98,625**	**107,945**	**116,537**	**125,558**	**132,505**
Late payment penalty	128	133	136	140	144	148
Total user fee revenue	**86,822**	**98,758**	**108,081**	**116,677**	**125,702**	**132,653**
Facility usage fees approved through Bylaw						
Disposal at EWMC	10,370	10,609	11,319	12,045	12,533	13,040
Eco station drop-off	1,340	1,339	1,454	1,483	1,513	1,817
Compost tip fees	300	306	312	318	325	331
Total	**12,010**	**12,254**	**13,085**	**13,846**	**14,370**	**15,188**
Services provided for in the Waste Management Bylaw						
Trade waste collection	1,056	850	875	900	927	955
Construction demolition	420	3,100	7,200	8,000	8,000	8,000
Non-residential collection	384	567	750	1,063	1,087	1,112
Commercial electronics collection				81	83	84
Total	**1,860**	**4,517**	**8,825**	**10,044**	**10,097**	**10,151**
Sale of processing end products through third parties						
Recyclable material	5,670	3,395	4,915	6,591	6,924	7,275
Compost	122	1,350	1,377	1,405	1,433	1,461
Pre-processing of ICI recyclables		397	842	978	982	987
Total	**5,792**	**5,142**	**7,134**	**8,974**	**9,339**	**9,723**
Revenue through contractual arrangements with EWMC partners						
GEEP (electronics)		46	48	50	51	53
Greys Paper Recycling			277	613	807	811
Total	**0**	**46**	**324**	**662**	**858**	**864**
Environmental offsets						
Landfill gas	800	880	968	968	968	968
Composting	515	1,500	1,500	1,500	1,800	2,000
Total	**1,315**	**2,380**	**2,468**	**2,468**	**2,768**	**2,968**
Total Revenue	**107,800**	**123,097**	**139,918**	**152,672**	**163,135**	**171,548**
Transfer from reserve	10,520	6,493	606	0	0	0
Total Revenue + Reserve	**118,320**	**129,590**	**140,524**	**152,672**	**163,135**	**171,548**

6. CAPITAL BUDGET UPDATE

6.1 Capital Projects Update

The capital plan for the short term is focused on the development of facilities and supporting infrastructure to address the depletion of in-City waste disposal capacity. The major project financed by the Waste Management Utility, the Integrated Processing and Transfer Facility, is a key component of the plan.

Work is proceeding on schedule with commissioning of the last phase planned for 2011. Other capital work includes expansion of collection facilities, rehabilitation of the existing facilities at the EWMC to extend their service lives, upgrades to the EWMC site infrastructure, and the acquisition of equipment and vehicles.

6.2 Capital Expenditures and Financing

A summary of the capital project plan and the associated financing plan follows:

Capital Expenditures	2009	2010-2011	2012-2018	2009-2018
EWMC Infrastructure	8,830	18,022	77,068	103,920
Processing and Transfer Facility	42,429	20,000		62,429
MRF Renewal	566		6,180	6,746
Bio-fuels Research Facility	8,990			8,990
Eco Stations	4,612	6,100	24,900	35,612
Buildings and Land	8,900	15,800		24,700
Containers, Equipment and Vehicles	14,210	18,231	35,624	68,065
Total	**88,537**	**78,153**	**143,772**	**310,462**
Financing ($000)				
Revenues	1,874		6,180	8,054
Post Closure Funds	700	1,050	2,300	4,050
Grants	8,989	-	0	8,989
Debentures				
10 year term	26,674	38,103	110,392	175,169
25 year term	50,300	39,000	24,900	114,200
Total Debt	**76,974**	**77,103**	**135,292**	**289,369**
Total Financing	**88,537**	**78,153**	**143,772**	**310,462**

6.3 Required Changes to Approved Capital Budget

The 2010 budget preparation identified the need to adjust the budget of an existing project and include another project to realize a business opportunity.

Biofuels Research Facility

Project Adjustment – 08-33-1946 Bio-fuels Research Facility	2009	2010	2011	Total
Existing Budget	8,990	-	-	8,990
Change	(1,990)	3,290	-	1,300
Total	**7,000**	**3,290**	**-**	**10,290**
Financing				
Grants	7,000	3,290	-	10,290
Total Financing	**7,000**	**3,290**	**-**	**10,290**

Explanation of Change

The increase of $1.3 million for this project reflects a size modification of key mechanical components to accommodate future expansion and higher fire protection and air handling capabilities to deal with the resulting high pressures. Funding for this project, including the requested adjustment, is covered by a grant already received from the province of Alberta through the Alberta Energy Research Institute.

Construction/Demolition Facility

New Project – Construction / Demolition Material Recycling Facility	2009	2010	2011	Total
Existing Budget	-	-	-	-
Change	500	1,300	2,500	4,300
Total	**500**	**1,300**	**2,500**	**4,300**
Financing				
Revenue	500	(500)		-
Self Liquidating Debentures	-	1,800	2,500	4,300
Total Financing	**500**	**1,300**	**2,500**	**4,300**

Explanation of Change

The processing of commingled construction and demolition waste presents a business opportunity that necessitates expansion of the existing construction and demolition waste program. This program is an integral part of site operations at the Edmonton Waste Management Centre. The capital expenditures as outlined will provide the capacity to process and recycle up to 50% or approximately 150,000 tonnes of the estimated 300,000 tonnes of material generated in the Capital Region.

6.4 Capital Financing Considerations

The financing plan makes judicious use of long-term debt financing when it appears that a capital project is of such a magnitude that it will negatively impact the utility's rates in the short-term. The use of long-term debt financing allocates the costs of the asset over its useful life.

Capital project financing of the 10-year capital plan for the Waste Management Branch is reviewed and updated annually. Project financing is provided largely through debenture borrowings, with debt terms of 10 and 25 years dependent on the expected asset life. Facilities, buildings and land are financed over 25 years. Containers, equipment and vehicles are financed over a 10 year term, as are the remainder of existing borrowing bylaws where the project is almost complete.

The financing plan is in accordance with the Debt Management Fiscal Policy adopted by the City Council on July 23, 2008. As a utility, in keeping with current City guidelines, the Waste Management Branch is not eligible for allocation of any non-specific Provincial grant funding (population-based grant) that may become available. Unlike Drainage Services, there are no contributed assets provided by other parties except where project-based grants are involved. Accordingly, Waste capital infrastructure is virtually financed entirely through self liquidating debentures.

External funding provided to a project involves direct agreement with the fund provider. A recent example of this is the grant from the Province of Alberta (Alberta Energy Research Institute) for the Bio-fuels Facility, another key component of the transition related to closure of Edmonton landfills. The remainder of capital funding for this facility is the responsibility of a private sector partner. Grant funding from the Province of Alberta has also been received for construction of the Advanced Energy Research Facility. As a utility, in keeping with current City guidelines, the Waste Management Branch is not eligible for an allocation of any non-specific Provincial grant funding that may become available. Grant funding for Waste Management projects will be specific to a project and provided through direct agreement with the fund provider.

6.5 Tangible Capital Assets – Impact on the Waste Utility

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) has approved changes to section PS 3150 Tangible Capital Assets (TCA) which require local governments to keep ongoing records to account for all assets managed and controlled by the municipality. Financial information of the City's capital assets is a major factor in determining replacement and maintenance requirements to ensure continued service delivery to the public.

Compliance with the new accounting guidelines requires the City to depreciate the asset over its useful life in a manner in line with its nature and use. This requires identification of the different components of a facility, which may have different estimated lives before major refurbishment or replacement is required. The depreciation expense would be funded through user fee revenue as part of the utility's budget.

The Proposed 2010 Waste Management Budget does not include an amount for depreciation. However, it currently includes the debenture principal payments as an expense against revenues. These treatments will need to be reviewed given that Waste Management is now operating as a utility. These, along with other financial considerations, will be reviewed in developing the Waste Management Utility Fiscal Policy in 2010.

7. PRO-FORMA INCOME STATEMENT AND BALANCE SHEET

The following Pro-Forma Statements outline the impact of the branch's operating and capital plans on its annual funding and rate requirements, as well as its overall financial position.

Waste Management Pro Forma Income Statement For Years 2010-2014 ($000)

	2010	2011	2012	2013	2014
User Fee Revenue	98,625	107,945	116,537	125,558	132,505
Operations Revenue	24,471	31,973	36,135	37,577	39,043
Transfer From Revenue	6,493	606	-	-	-
Total Revenues	**129,590**	**140,524**	**152,672**	**163,135**	**171,548**
Collection Services	50,156	53,797	57,160	59,604	64,461
Processing and Disposal	57,354	61,105	67,662	71,222	75,990
Financial	22,080	25,622	27,850	32,309	31,097
Total Expenses	**129,590**	**140,524**	**152,672**	**163,135**	**171,548**
Net Income	**-**	**-**	**-**	**-**	**-**
Monthly User Fees					
Single family	$29.85	$32.24	$34.12	$36.04	$37.29
Multi-family	$19.40	$20.95	$22.18	$23.43	$24.24
Percentage Change	12%	8%	6%	6%	3%
Waste Management Reserve	**4,436**	**3,830**	**3,830**	**3,830**	**3,830**

Explanation of Change

User Fee Revenue and Operations Revenue are the funding sources for the operations of the Waste Management Utility. The anticipated Waste Management fees required over the 2010-2014 are shown at the bottom of the table. It is expected that a monthly fee in the range of $36 to $38 will be needed to fund the impact on operations from the depletion of landfill capacity in Edmonton. For 2010 and 2011, Transfer from Reserve will be relied upon to temper the monthly user fee increases. This strategy will allow the projected 2012 and 2013 fee increases to be kept around 6%. By 2014, the monthly fee increase is expected to approximate inflationary impacts.

The planned withdrawal from the reserve in 2010 and 2011 will reduce the balance from $11 million to $4 million. This level is likely required to provide funding support for operational contingencies. The development of a formal fiscal policy for the Waste Management Utility will address/confirm the appropriate level of the reserve fund. Net income generated from operations would either be required to meet the utility system needs or become available for distribution. Administration recommends that should any net income be generated in 2010, that it be retained within the utility until the review and development of a formal Utility Fiscal Policy for Waste Management is completed.

It is important to note that the pro-forma information does not provide for the generation of Net Income in 2012-2014. All of the anticipated User Fees and Operations Revenue are needed to fund ongoing operations. Inherent in this forecast is also increased risk of unexpected circumstances which would require further draw from the reserve.

Waste Management Utility Pro-Forma Balance Sheet For Years 2010-2014 ($000)

	2010	2011	2012	2013	2014
Assets					
Cash and Deposits	45,182	37,459	36,124	35,568	34,879
Other Current Assets	7,022	7,022	7,022	7,022	7,022
Investment in Capital Assets					
Engineering Structures - net	280,008	292,732	294,874	298,200	292,520
Other Buildings - net	31,056	32,467	32,704	33,073	32,443
	311,064	325,198	327,579	331,274	324,964
Total Assets	**363,268**	**369,679**	**370,725**	**373,864**	**366,865**
Liabilities					
Current Liabilities	21,164	21,447	21,512	21,557	21,467
Current Portion of Long-term Debt	13,611	15,547	17,350	18,942	20,442
Long-term Debt	218,340	229,838	229,715	228,839	220,729
Total Liabilities	**253,115**	**266,832**	**268,577**	**269,338**	**262,638**
Innovation and Science Grant	10,996	4,996	4,996	4,996	4,996
Landfill Closure and Post Closure Care	18,676	17,976	17,276	16,976	16,676
Equity					
Equity in Capital Assets	76,045	76,045	76,045	78,725	78,725
Waste Management Reserve	4,436	3,830	3,830	3,830	3,830
Total Equity	**80,481**	**79,875**	**79,875**	**82,554**	**82,554**
Total Liabilities & Equity	**363,268**	**369,679**	**370,724**	**373,864**	**366,865**

Explanation of Change

Cash and Deposits generally reflect the Innovation and Science Grant held in trust by the City for the construction of the Bio-Fuels Facility, the Landfill Closure and Post Closure Care, and the Waste Management Reserve balance.

The Long Term Debt balance for the Utility is projected to increase by roughly $9 million over the next five years. All capital investment in infrastructure is essentially financed by debt. This will need to be monitored and reviewed in conjunction with the development of a Utility Fiscal Policy for Waste Management.

Grant funding to support Bio-Fuels Facility is secured and has been received.

A major financial risk factor associated with the operations of a landfill is the Post Closure Liability. With the Clover Bar landfill reaching its capacity and closed in August 2009, all closure and maintenance obligations related to the landfill are funded and will be accessed over the next 25 years as the need arises.

The Waste Management Reserve is expected to maintain a balance of roughly $4 million over the next five years, despite the planned withdrawal of roughly $15 million over 2009-2011 to stabilize the transitional impact of hauling refuse to a distant landfill. While the reserve balance represents less than 3% of the average annual operating revenue, it does provide some cushion against unexpected events. The review and development of a Utility Fiscal Policy for Waste Management during 2010 will formalize the reserve requirement for a sustainable utility.

AMPW - Drainage Services
2010 Operating Budget

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Branch Overview tab

1.0 BRANCH OVERVIEW

1.1 Branch Profile

Drainage Services is one of four branches in the Asset Management and Public Works Department. It operates the Sanitary Utility (collection and transmission of wastewater) as well as the Land Drainage Utility (collection and transmission of storm water), with an asset replacement value of over $13 Billion at the end of 2008, not including the Gold Bar Wastewater Treatment Plant. The Branch operates the Utilities under a full cost recovery model without subsidy from property tax. The two Utilities are operated under a public utility model with the exception of payment of an annual dividend and local access fee to the City in accordance with the Utility Fiscal Policy (C304B). The Land Drainage Utility is exempt from paying a dividend and local access fee until 2014.

Drainage Services operates within the framework of the Council approved Drainage Master Plan (2004), ISO9001, ISO14001 and the 10-year Approval-to-Operate (2005-2015) issued and regulated by the Province of Alberta.

Before 2009, revenues and expenditures for the Design & Construction Section (D&C) were included in the Sanitary Utility financial statements. This budget process will financially segregate D&C from the utility model as it is a nonregulated service and can be treated as a potential future source of income for the City of Edmonton. The transition will occur over the next few years under the direction of City Council.

For ease of presentation, this budget document is divided into the following sections:

- Utility Operations
  - Sanitary Utility
  - Land Drainage Utility
- Design & Construction

1.2 Description Of Operations

Sanitary Utility

The Sanitary Utility serves over 780,000 residents and 15,000 commercial and industrial customers. In addition, services are provided to neighbouring municipalities through agreements with the Alberta Capital Region Wastewater Commission and Strathcona County.

In order to serve these customers, the Sanitary Utility has made average annual capital investments of $80 million per year for rehabilitation, upgrades, and expansion of the sanitary and combined sewer network from 2004 to 2008. Capital projects were mainly constructed using in-house resources. Furthermore, Drainage Services provides regulation of, and support to, the development and building industry. This industry contributed about $19 million of sanitary infrastructure per year on average during the same five year period.

During 2004 to 2008, an average of $10 million per year has been spent on operational and maintenance activities which include cleaning, inspecting and minor repairs for a system consisting of roughly 3,000 km of sanitary and combined sewers, 225,000 service connections and 70 pump stations.

Mission

To protect the environment and public health for customers in the Edmonton region by collecting and conveying wastewater and storm water for treatment, resource recovery and safe disposal.

Under the Gold Bar Master Agreement, the assets and responsibilities for the wastewater treatment plant were transferred to EPCOR on March 31, 2009. The Sanitary Utility expects to pay EPCOR approximately 44% of the 2010 budgeted rate revenues collected.

Land Drainage Utility

The Land Drainage Utility serves residential, commercial and industrial customers with a service area of approximately 270 square kilometres.

From 2004 to 2008, the Land Drainage Utility invested $25 million per year, on average, in capital rehabilitation, upgrades, and expansion of the storm system. The development and building industry contributed in excess of $33 million per year of storm sewers and related facilities during the same period.

Over the same 5-year period, an average of $5 million per year has been spent on operational and maintenance activities which include cleaning, inspecting and minor repairs for a system consisting of roughly 2,300 km of sewers, 118,000 service connections, 50,000 catchbasins and 150 storm water management facilities.

Design and Construction

D&C provides engineering, project, contract management, design and construction services (trenchless and open cut) to the Drainage Utilities, other City departments and external customers such as land developers, EPCOR, private contractors and other municipalities. Its tunneling construction expertise is recognized as one of the best in Canada.

During the period from 2004 to 2008, the volume of D&C work has increased from $31 Million to $136 Million. At the same time, the number of permanent and temporary staff has also grown from 199 to 243. D&C owns and operates 6 large diameter tunnel boring machines. As a result of this significant growth and the finding of the recent Utilities Regulatory Review, the budget for D&C is presented independently of the Sanitary Utility operations. There will still be a subsidization of the Sanitary Utility rates from D&C's net income; however, it will be phased out over three years to manage the impact on the rates.

1.3 Major Services And Activities

Drainage Utilities (Sanitary and Land Drainage)

Asset and Environmental Management

- Strategic Planning
- Business Planning
- Environmental Management
- Asset Management
- Biosolids Management
- Public Education
- Liaison with EPCOR
- Sanitary Servicing Strategy Fund Management

Development Support and Regulatory Services

- Land Development Review and Approval
- Sewer and Water Service Connection
- Lot Grading and Flood Proofing
- Regulatory Compliance
- Environmental Monitoring/ Reporting
- Infrastructure Recording

Operations and Maintenance

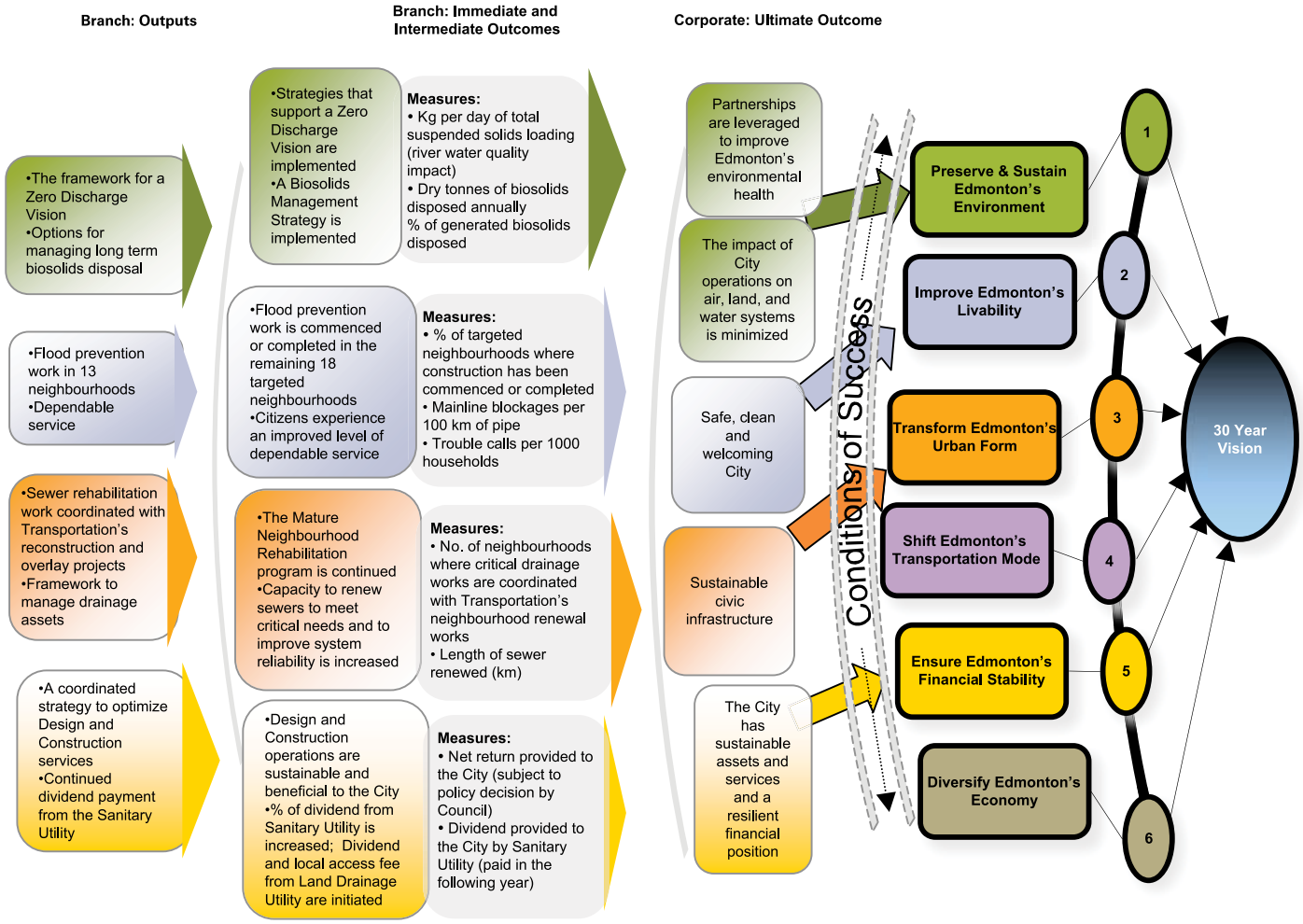
- Preventive Maintenance of Sewers, Manholes and Catch Basins (e.g. inspections, cleaning, minor repairs)
- Pump Station Maintenance
- Environmental Services (e.g. wet pond/dry pond maintenance, public complaint investigations)
- Basement Flooding and Service Blockage Response

Design and Construction

Infrastructure Construction, Renewal and Upgrading

- Tunnel Construction
- Trenchless Construction
- Open-Cut Construction
- Engineering, Project Management and Contract Administration

1.4 Strategic Road Map



1.5 Outcomes And Measures

Immediate Outcome	Intermediate Outcome	Ultimate Outcome	Measure	2008 Results	Projected 2009 Results	2010 Targets
The framework for a Zero Discharge Vision is completed	Strategies that support a Zero Discharge Vision are implemented	Partnerships are leveraged to improve Edmonton's environmental health	Kg per day of total suspended solids loading (river water quality impact)	30,865	30,000	29,000
Options for managing long term biosolids disposal are identified	A Biosolids Management Strategy is implemented	The impact of City operations on air, land, and water systems is minimized	Dry tonnes of biosolids disposed annually	19,400	20,000	20,000
			% of generated biosolids disposed	72%	74%	74%
Flood prevention work continues in targeted neighbourhoods	Flood prevention work completed in all 31 targeted neighbourhoods (by 2017)	Safe, clean and welcoming City	Number of neighbourhoods complete as part of city-wide, multi year program	0/31, or 0% completion (17 neigh's underway this year	5/31, or 16% completion	7/31, or 23% completion
Citizens experience a dependable service	Citizens experience an improved level of dependable service		Mainline blockages per 100 km of pipe	3.5	3.0	2.8
			Trouble calls per 1000 households	26	26	25
Sewer rehabilitation work is completed in coordination with Transportation's reconstruction and overlay work	The Mature Neighbourhood Rehabilitation program is continued	Sustainable civic infrastructure	No. of neighbourhoods where critical drainage works are coordinated with Transportation's neighbourhood renewal works	2	7	15
Framework to manage drainage assets is developed	Capacity to renew sewers to meet critical needs and to improve system reliability is increased.		Length of sewer renewed (km)	48	62	70
A coordinated strategy to optimize Design and Construction services is developed	Design and Construction operations are sustainable and beneficial to the City	The City has sustainable assets and services and a resilient financial position	Net return provided to the City (subject to policy decision by Council)	Included in Sanitary Utility	Included in Sanitary Utility	Pending results of D&C Financial Policy Review
Dividend payment from the Sanitary Utility is continued	% of dividend from Sanitary Utility is increased; Dividend and local access fee from Land Drainage Utility are initiated		Dividend provided to the City by Sanitary Utility (paid in the following year)	$4.5 M(excl. Gold Bar)	$2.8 M (excl. Gold Bar)	$2.6 M (excl. Gold Bar)

The following is the proposed 2010 Operating Budgets for the Sanitary and Land Drainage Utilities, which include a proposed 8% rate increase for both.

1.6 Proposed 2010 Sanitary Utility Budget - Program Summary ($000)

	2008 [1] Actual	2009 [1] Budget	Revenue & Cost Impacts	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Revenues								
Residential Customer - City Share	31,084	34,640	2,899	-	562	38,101	10.0	41,811
Non-Residential Customer - City Share	24,578	26,835	2,062	-	260	29,157	8.7	31,773
[2] Gold Bar Share of Rate Revenue	43,735	48,302	3,899	-	645	52,846	9.4	57,816
Program	3,121	2,898	195	-	135	3,228	11.4	3,324
Interest and Other	1,716	1,869	(997)	-	-	872	(53.3)	1,216
[3] Transfer - Design & Construction	4,079	1,898	(398)	-	-	1,500	(21.0)	750
Total Revenues & Transfers	108,313	116,442	7,660	-	1 ,602	125,704	8.0	136,690
Expenditures								
Asset and Environmental Management	8,098	9,620	72	-	490	10,182	5.8	10,885
Development Support & Regulatory Services	7,338	6,674	403	-	303	7,380	10.6	7,667
Operations & Maintenance	11,575	12,683	615	-	-	13,298	4.8	13,956
Program & Financial Support	21,392	28,671	1,145	-	2,285	32,101	12.0	34,430
[2] Gold Bar - Wastewater Treatment	43,735	48,302	3,899	-	645	52,846	9.4	57,816
Total Expenditures & Transfers	92,138	105,950	6,134	-	3,723	115,807	9.3	124,754
Net Income	16,175	10,492	1,526	-	(2,121)	9,897	(5.7)	11,936
Full-time Equivalents	188.0	201.1	1.5	-	-	202.6	-	202.6

* *Cost Impacts include: inflation on personnel and non-personnel costs, annualization, adjustments based on current performance. Revenue increases are due to rate and volume changes, the latter have been reflected under Growth for greater clarity.*

[1] *The 2008 and 2009 figures have been restated to remove non-rate driven revenues of Gold Bar for the entire year.*

[2] *Gold Bar Share of Rate Revenue reflects the portion of sanitary rate collected on behalf of Gold Bar operations. This entire amount is remitted to EPCOR under Gold Bar - Wastewater Treatment.*

[3] *Design & Construction is shown as a net figure. The 2009 figure represents the approved budget, the current projection of net income is in the order of $4 million.*

Supplemental Information	2008 Actual	2009 Budget	Revenue & Cost Impacts	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Total Sanitary Rate Revenue								
City of Edmonton	55,662	61,475	4,961	-	822	67,258	9.4	73,584
Gold Bar Wastewater Treatment Plant (EPCOR)	43,735	48,302	3,899	-	645	52,846	9.4	57,816
	99,397	109,777	8,860	-	1,467	120,104	-	131,400
Dividends Payable to City (Based on Income from Previous Year)								
[4] Dividend per Utility Fiscal Policy - budget (restated)	3,061	2,675	82	-	-	2,758	3.1	2,579
[4] Additional Dividend Based on Actual Net Income	1,577	1,787	-	-	-	-	(100.0)	-
[5] Dividend relating to Gold Bar	3,951	2,995	-	-	-	5,789	93.3	4,771
Council Directed Dividend	1,711	2,765	-	-	-	-	-	-
	10,300	10,223	82	-	-	8,547	(16.4)	7,350
Actual dividend as a % of Total Net Income	36.0%	41.1%						

[4] *The 2008 and 2009 amounts were paid to the City based on the prior year's operating results of the Collection and Transmission System. The 2010 and 2011 figures represent estimates based on budgeted results from 2009 and Proposed 2010 Budget.*

[5] *Dividend from Gold Bar represents a calculated amount based on the restated net income. The 2010 Budget is based on 2009 Budget pro-rated for the first 3 months at 30% and 9 months at 60%. The portion relating to the 9 months will form part of the 2010 Transfer Fee from EPCOR.*

Explanatory Notes:

Prior to March 31, 2009, the Sanitary Utility included the collection, transmission, and treatment of wastewater. On January 20, 2009, City Council approved the transfer of the Gold Bar Wastewater Treatment Plant (GBWWTP) to EPCOR in return for a transfer fee totaling $75 million over seven years.

As part of the transfer, Council directed that Drainage customers will not experience any change in the way service is being delivered. This includes the billing process whereby customers will only have a single Sanitary Utility rate, despite the Gold Bar Wastewater Treatment Plant being operated and reported separately by EPCOR.

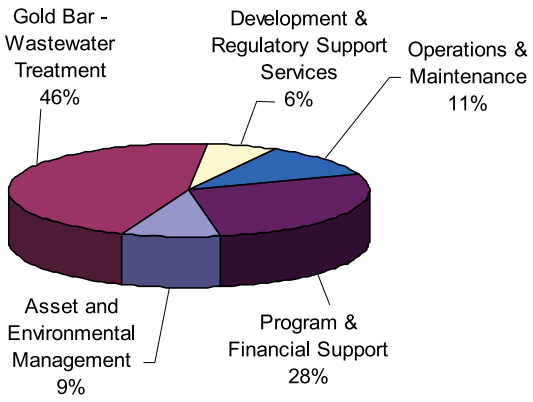
In order to provide a reasonable representation of the Collection & Transmission operations, the 2008 and 2009 figures have been restated to provide comparable information to the Proposed 2010 Budget. Detailed discussion of Revenues and the Major Activities are found under the Utility Operations section.

The proposed Budget reflects total Sanitary Utility Rate Revenue with an 8% rate increase, plus all revenues generated by the City of Edmonton from the Collection and Transmission System.

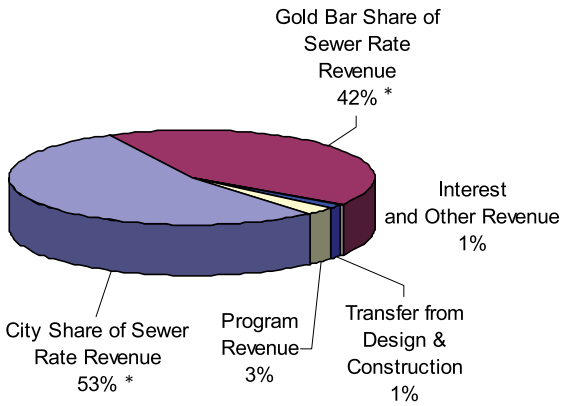
Rate Revenue is broken down into the City's share of Residential and Non-Residential rate revenue with the portion of revenue for Gold Bar operations being reported as a separate revenue line item. This amount has also been reflected under Expenditures as Gold Bar - Wastewater Treatment. The addendum to this budget document provides information from EPCOR regarding the Gold Bar plant operations. Outside of these two figures, the balance represents budgetary requirements of the Collection and Transmission system.

In addition, the 2010 Proposed Budget has reflected the impact of financially segregating D&C from the Sanitary Utility over 2010 and 2011. The net financial impact of this operation has been reflected as a single line item 'Transfer - Design & Construction'.

Where the Budget will be spent



Funding by Source



* Rate Revenue comprises 95% of Sanitary Utility total revenues. Rate Revenue is split 56% City and 44% Gold Bar

1.7 Proposed 2010 Land Drainage Utility Budget - Program Summary ($000)

	2008 Actual	2009 Budget	Revenue & Cost Impacts	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Revenues								
Residential Customers	11,697	12,536	1,005	-	197	13,738	9.6	14,985
Non-Residential Customers	10,161	11,117	889	-	(198)	11,808	6.2	12,784
Program	109	491	(2)	-	-	489	(0.4)	504
Interest and Other	945	1,344	(930)	-	-	414	(69.2)	533
Transfer from Reserves	-	-	-	-	-	-	-	-
Net Revenues & Transfers	22,912	25,488	962	-	(1)	26,449	3.8	28,806
Expenditures								
Asset and Environmental Management	1,978	2,469	417	-	-	2,886	16.9	2,973
Development Support & Regulatory Services	2,732	2,479	153	-	194	2,826	14.0	2,954
Operations & Maintenance	5,379	5,554	145	-	-	5,699	2.6	5,981
Program & Financial Support	2,497	5,320	421	-	934	6,675	25.5	6,532
Total Expenditures & Transfers	12,586	15,822	1 ,136	-	1,128	18,086	14.3	18,440
Net Income	10,326	9,666	(174)	-	(1,129)	8,363	(13.5)	10,366
Full-time Equivalents	87.4	94.2	0 .6	-	-	94.8	-	94.8

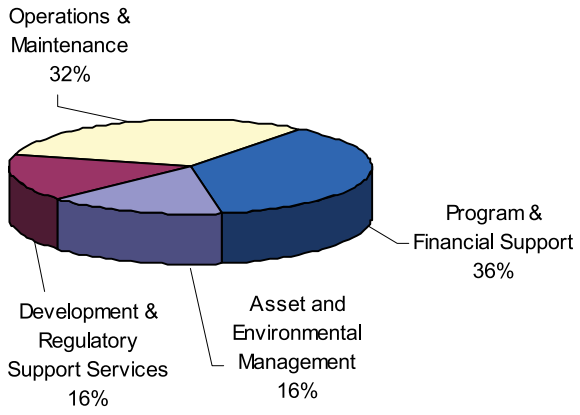
* *Cost Impacts include: inflation on personnel and non-personnel costs, annualization, adjustments based on current performance. Revenue increases are due to rate and volume changes, the latter have been reflected under Growth for greater clarity.*

Explanatory Notes:

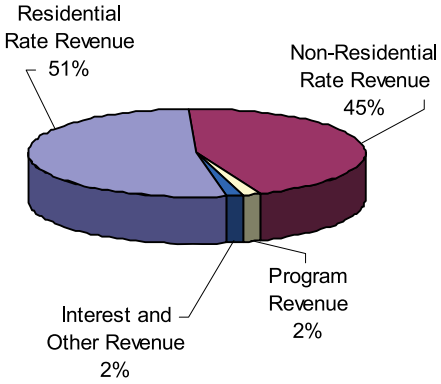
Land Drainage rates contain a proposed increase of 8%. In addition, the projected growth in customer base for residential customers is reflected under Growth. However, this growth is offset by an adjustment to the Non-Residential customers to reflect actual experience to date.

The operating impacts of capital (debt servicing cost) accounts for a significant portion of the expenditure increase required by this utility. This will be discussed in more detail in the Program Support and Financial Costs section of the document.

Where the Budget will be spent



Funding by Source



1.8 Customer Impact & Full Time Equivalents

Impact of Rate Increases on Typical Residential Customers

The Utility Fiscal Policy (C304B) largely drives the parameters upon which the proposed 2010 Operating Budget was prepared. It reflects an 8% rate increase for both the Sanitary Utility and the Land Drainage Utility. The Sanitary Utility rate increase is expected to generate a revenue increase of approximately $5 million to the City and approximately $4 million to EPCOR. The Land Drainage rate increase is expected to generate a revenue increase of approximately $2 million to the City.

The impact of the proposed rate change to a typical residential household is illustrated as follows:

	Average Monthly Usage	2009		Proposed 2010		Increase*
		Rate	Monthly Charge	Rate	Monthly Charge	
Sanitary	17.5 m^3	$5.64 + $1.077/$m^3$	$ 24.49	$6.09 + $1.163/$m^3$	$ 26.44	$ 1.95 (8.0%)
Land Drainage	average residential lot size (592 m^2)	$0.0186/$m^2$ with run-off coefficient of 0.5	$ 5.51	$0.0201/$m^2$ with run-off coefficient of 0.5	$ 5.95	$ 0.44 (8.0%)
Total			$ 30.00		$ 32.39	$ 2.39 (8.0%)

* 1% increase in the Sanitary Utility rate provides approximately $0.6 million to the City while a 1% increase in the Land Drainage Utility rate provides approximately $0.2 million.

Full Time Equivalents for Sanitary and Land Drainage Utilities

	2008 Actual	2009 Budget	Revenue & Cost Impacts	Service & Delivery Changes	Growth	2010 Budget	2011 Forecast
Asset & Environmental Management	32.0	38.0	-	-	-	38.0	38.0
Development Support & Regulatory Services	77.5	80.5	-	-	-	80.5	80.5
Operation and Maintenance	161.9	172.8	2.1	-	-	174.9	174.9
Program Support	4.0	4.0	-	-	-	4.0	4.0
Total FTE for Regulated Utility Services	275.4	295.3	2.1	-	-	297.4	297.4
Design & Construction	243.0	296.0	-	24.0	-	320.0	342.0
Total Drainage Services	518.4	591.3	2.1	24.0	-	617.4	639.4

The 2008 and 2009 figures have been restated to remove the transfer of staff personnel as a result of the transfer of the GBWWTP to EPCOR. The full-time equivalents are reflective of the operations of the Sanitary and Land Drainage Utilities after the transfer. Often, staff work on both systems and it is difficult to definitively assign personnel to one or the other system.

For budget presentation purposes, planning staff are allocated 60% to Sanitary and 40% to Land Drainage. Operational staff are allocated 70% to Sanitary and 30% to Land Drainage. This is reflective of the relative resource demands associated with the two operations.

1.9 Service And Rate Comparators

The basic provision of sanitary and land drainage does not differ significantly across major Prairie municipalities. In general, rate payers do not experience a marked difference in service.

Across the country, however, there can be significant differences in the quality of sewage treatment, sewer infrastructure and funding. Some major cities, such as Victoria, provide only primary treatment for sanitary flows. Edmonton is one of the cities that provide tertiary treatment. The depth and age of infrastructure also varies. Prairie municipalities, for example, tend to have deeper infrastructure than those located in the coastal provinces in order to protect against frost damage. Construction and rehabilitation costs therefore, are generally higher in the Prairies. In addition, funding and other financial factors can vary. The magnitude of capital programs at a given point in time, as well as the existence of any outside (grant) funding will impact the cost to rate payers.

The following data is for five Prairie municipalities that operate both Sanitary and Land Drainage Utilities and include tertiary treatment. Each of these municipalities run their operations as separate utilities. For ease of comparison, the charges shown in the table are calculated based on a consumption of 17.5 cubic metres per month, which is the typical household usage in the City of Edmonton.

Municipality	Population (2009 rounded)	Typical Single Family House - Monthly Sanitary Charge (2009)	Typical Single Family House - Monthly Land Drainage Charge (2009)	Typical Single Family House - Total Monthly Drainage Charge (2009)
Calgary	1,043,000	$21.19	$7.30	$28.49
Edmonton	782,439	$24.49	$5.51	$30.00
Leduc	22.000	$23.50	$5.00	$28.50
Regina	205,000	$26.62	$8.82	$35.44
St. Albert	58,000	$28.24	$9.05	$37.29
Average		$24.81	$7.14	$31.94

Through the Seasonal Sewer Pricing Program, Edmonton customers have the impact of lawn watering removed from their sanitary utility bill, which is not the case for the other municipalities.

As a result, the monthly water usage, and thus the sanitary charge, for a typical household in the other municipalities is likely to be higher than what is shown in this table.

1.10 Issues And Challenges

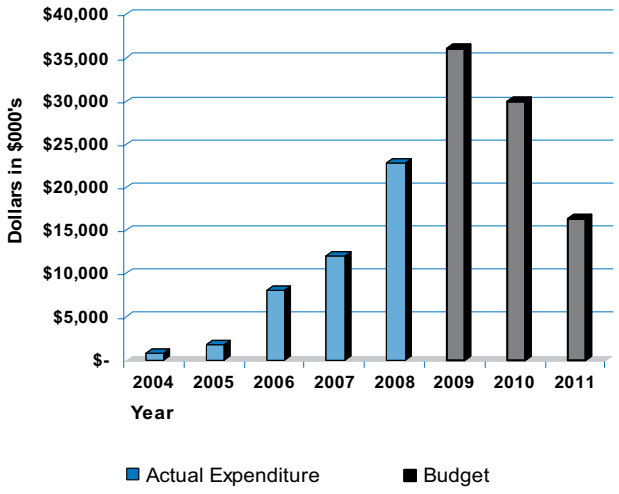
The Sanitary and Land Drainage Utilities are facing a number of issues and challenges. The most critical challenges are identified below:

Expansion of the capital investment plan to meet the Neighbourhood Renewal Initiative (09-23-9510)

In the 2009-2011 Capital Budget approved by City Council in December 2008, $60 million was allocated to undertake rehabilitation of deteriorated sewers in an estimated 20 neighbourhoods in co-ordination with Transportation Department's neighbourhood roadway renewal program. The key objective is to schedule any open-cut sewer works ahead of pavement reconstruction in order to avoid disturbing newly constructed roadway pavements. Trenchless repair work to sewers was also planned for neighbourhoods where reconstruction or overlays were scheduled.

Since the City's capital budget was approved by Council, the Transportation Department benefited from a significant reduction in construction costs as a result of the economic slowdown and have therefore increased the number of neighbourhoods receiving pavement overlays. It is now expected

Mature Neighbourhood Sewer Rehabilitation



the total number of reconstruction and overlay neighbourhoods for the same period (2009-2011) will be increased to 40. Drainage Services has not experienced corresponding decreases in construction costs as the majority of drainage construction activity is undertaken by City personnel and existing long term contracts, and was already cost effective. Therefore,

KEY CONSIDERATION

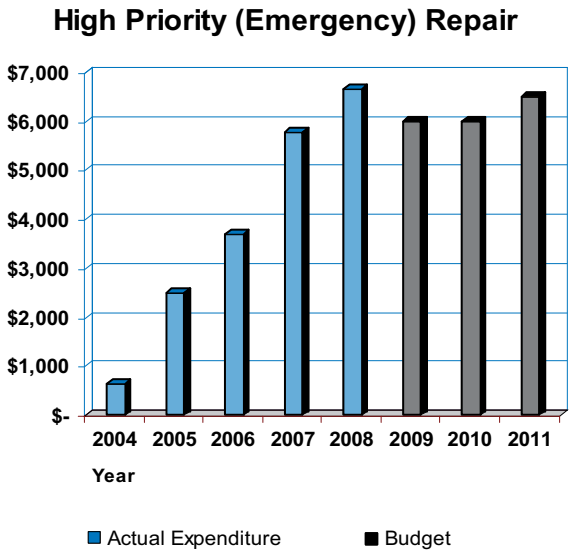
The 2009-2011 budget for Project 09-23-9510 (Mature Neighbourhood Rehabilitation) should be revised from $98.1 million to $82.6 million. This will allow Drainage Services to coordinate with Transportation Department for sewer rehabilitation works in identified neighbourhoods. Any further increase in the Transportation Department's neighbourhood roadway renewal program will have additional financial impact to the Drainage Utilities. The impact on operating from a reduction in debenture borrowing is estimated at 0.5% of combined Sanitary Utility and Land Drainage rates for 2010, which is reflected in the Proposed Budget.

in order to match the increase in the work to be done by Transportation, Drainage Services required additional funding. To accommodate the increase in mature neighbourhood renewal work planned by Transportation, Drainage Services requested a supplementary capital budget adjustment in May 2009 that Council approved. The adjustment increased the capital project for sewer rehabilitation from $60M to $98M. Since then, Drainage Services and Transportation have been working together to develop a strategy to optimize the capital infrastructure investment for Mature Neighbourhood Renewal, with the expectation of completing drainage work in 28 neighbourhoods. The other 12 neighbourhoods do not require any extensive drainage rehabilitation at this time. As a result, Drainage Services will be requesting a reduction to this program from the $98M approved in supplementary capital budget adjustment to $83M. This level of expenditure is considered reasonable based on pipe deterioration studies conducted by Drainage Services and will be reassessed prior to preparation of the 2012-2014 Capital Budget.

It should be noted that the above capital budget does not include renewal of sewers in alleys. If it is decided the Transportation Department is to increase the reconstruction program for alleys or other roadway infrastructure, there will be additional financial impacts to the Drainage Utilities.

Growing High Priority (Emergency) Repair Needs Throughout the City

During the last three years (2006 to 2008), an average of $7 million each year was budgeted for the Sewer Rehabilitation Program (09-23-9504) which includes high priority (emergency) repairs, proactive local sewer rehabilitation and rehabilitation of sewers underneath arterial and collector roadways. Out of this amount, $2.6 million was targeted for high priority (emergency) repairs identified during regular operation and maintenance activities. However during the same period, the actual amount spent on such repair work has increased to an average of $5.4 million per year as a result of increased numbers of repairs to collapsed sewer service connections and catchbasin leads. These increased failures can be attributed to the age of the infrastructure, and in some cases, shortlength construction that, over time, impact the overall integrity of the sewer in an area. In the May 2009 Supplementary Capital Budget Adjustment, the high priority repair budget was increased from $4.5 million to $8.5 million per year for 2009-2011 based on a worst case scenario. A less aggressive forecast however has resulted in a reduction from $8.5 million to $6.0 million being proposed in the Capital Budget for 2010. This reduction has been reflected in the proposed utility rates. As part of the Asset Management Strategy, the need for high priority repairs in future years will be carefully analyzed to ensure that this funding level is sufficient.



KEY CONSIDERATION

The 2009-2011 budget for Project 09-23-9504 (Sewer Rehabilitation) should be revised from $39.1 million to $30.4 million. This will provide $18.5 million for emergency response with the remainder allocated to rehabilitation of local sewers and sewers related to Transportation's arterial/collector roadways program. The imapct on operating from a reduction in debenture borrowing is estimated at 1.0% of combined Sanitary Utility and Land Drainage rates for 2010, which is reflected in the Proposed Budget.

Biosolids Management Strategy

Historically, biosolids disposal has been accomplished by paying a fee to Waste Management for the handling of the material, which also acts as a feedstock to the City's co-composter. The City of Edmonton manages about 27,000 dry tonnes of biosolids generated by the Gold Bar Wastewater Treatment Plant (GBWWTP) and the Alberta Capital Region Wastewater Commission (ACRWC) each year in compliance with the Approval-to-Operate issued by Alberta Environment. Annual disposal rates have not kept pace with biosolids production and has resulted in an accumulation of biosolids at the Clover Bar lagoons. It is estimated that the accumulated solids inventory will exceed 190,000 dry tonnes by 2010.

With the completion of the Enhanced Primary Treatment Project, wet weather flows will now be treated by enhanced primary treatment. This will further increase the annual biosolids production. It is anticipated that after 2010, expenditures for biosolids disposal will have to be increased significantly to begin reducing the inventory. The amount of funding dedicated to biosolids disposal has increased steadily, from $4.4 million in 2008, to a budget of $4.8 million in 2009 and a proposed $5.3 million in 2010. Even at this rate of funding increase, the amount of biosolids in the lagoons will continue to increase.

Current biosolids disposal activities (such as sludge to farmland and use of co-composter) are utilizing the most cost effective means to their maximum capacity. Increased disposal costs are expected as new methods of disposal are utilized to reduce the back log. A Biosolids Management Strategy is currently being jointly developed with GBWWTP, Waste Management Branch and ACRWC. This strategy will identify new technology and regional opportunities to increase the capacity for disposal of biosolids in a cost-effective, socially and environmentally acceptable manner. The strategy will also explore the potential for revenue generation to partially offset costs.

KEY CONSIDERATION

To support the current methods of biosolids disposal, $5.3 million has been allocated in the 2010 Operating Budget. This is the maximum limit that the program can be increased while maintaining an 8% Sanitary Utility rate increase. The 2010 Operating Budget will not address backlog. A comprehensive long term solution and associated costs will be proposed during the 2011 budget process. Bringing the biosolids disposal to $5.3 million has added 0.8% to the Sanitary Utility rate, which is reflected in the Proposed Budget.

KEY CONSIDERATION

The 2009-2011 budget for Project 07-23-9511 (Flood Prevention) should be revised from $36.5 million to $33.9 million. This level of investment will maintain the overall objective of the Flood Prevention Program. The impact on operating from a reduction in debenture borrowing is estimated at 0.1% of combined Sanitary Utility and Land Drainage rates for 2010, which is reflected in the Proposed Budget.

Flood Prevention Program (07-23-9511)

City Council approved the $146 million Flood Prevention Program in 2006 which involves upgrading and extending storm sewers and installation of new storm water management facilities in 31 neighbourhoods by 2017. To date, works in 18 neighbourhoods are on-going or completed. About $54 million has already been spent up to the end of 2008, placing pressure on Land Drainage financial capacity. An additional $18 million of flood prevention works for 3 neighbourhoods has also been advanced to Drainage Services' Mature Neighbourhood Rehabilitation Program to match Transportation Department's roadway renewal schedule. As will be demonstrated in the Program and Financial Support section of this document, roughly half of the proposed increased expenditure in the 2010 Land Drainage operating budget relates to increased debt servicing costs. In order to maintain a reasonable rate of investment, some of the planned projects in the remaining neighbourhoods have been re-scheduled. The impact of this re-scheduling will be closely monitored.

KEY CONSIDERATION

Plans for certain corporate projects may call for significant drainage infrastructure work in the magnitude of tens of millions of dollars over multiple years. Aside from technical support, capital budget for these corporate initiatives has not been provided. Drainage Services anticipates that sponsoring departments would fund the required drainage infrastructure for corporate initiatives.

Support of Corporate Initiatives

Corporate revitalization and densification initiatives, such as the redevelopment of the Municipal Airport, the Great Neighbourhoods Program, the Affordable Housing Plan, the Quarters Development and the Downtown Densification Plan, will have an impact on the existing drainage infrastructure. Upgrades to the drainage infrastructure are likely required to handle the increase in storm water and wastewater flows. Drainage Services provides support to such initiatives through planning and concept development. However, the Utilities are not structured to fund works that such corporate initiatives may require. Currently, there is insufficient information about these initiatives to estimate costs. The impact is expected to be in the order of tens of millions of dollars of capital investment spent over a period of years to upgrade existing drainage systems.

Utility Operations Tab

2.0 UTILITY OPERATIONS

2.1 Revenues - Sanitary & Land Drainage

This section provides a summary of all revenues generated from the operations of the two Utilities. As a result of the transfer of the GBWWTP in 2009, the budget presentation necessitates a restatement of the prior years' figures in order that the comparative figures provide meaningful information. Explanatory notes have been prepared to provide clarity.

Proposed 2010 Drainage Utility Budget - Revenue Summary ($000)

	2008 [1] Actual	2009 [1] Budget	Revenue & Cost Impacts	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Revenues								
[2] Sanitary Utility Rate	55,662	61,475	4,961	-	822	67,258	9.4	73,584
[3] Land Drainage Rate	21,858	23,653	1,894	-	(1)	25,546	8.0	27,769
[4] Gold Bar Share of Rate Revenue	43,735	48,302	3,899	-	645	52,846	9.4	57,816
[5] Program	3,230	3,389	193	-	135	3,717	9.7	3,828
[6] Interest and Other	2,661	3,213	(1,927)	-	-	1,286	(60.0)	1,749
[7] Transfer - Design & Construction	4,079	1,898	(398)	-	-	1,500	(21.0)	750
Total Revenues & Transfers	131,225	141,930	8,622	-	1,601	152,153	-	165,496

* *Cost Impacts include: inflation on personnel and non-personnel costs, annualization, adjustments based on current performance. Revenue increases are due to rate and volume changes.*

Budget Changes for 2010 ($000)

Revenues

$ 10,947	Increase revenues from proposed 8% rate increase for Sanitary ($4,961+$3,899), Land Drainage ($1,894), and Program ($193)
1,466	Increase revenues from projected growth in customers for Sanitary and Land Drainage
135	Increase of biosolids revenue from ACRWC
(1,927)	Reduction in interest revenues due to lower cash balance and lower investment rate
(398)	Reduction in revenue from the transfer of Design and Construction operations
$ 10,223	

Explanatory Notes:

[1] The 2008 and 2009 figures have been restated to remove revenues of Gold Bar for the entire year. This is necessary to provide comparable figures.

[2] Sanitary Utility revenue consists of a proposed 8% rate increase to all rate classes. It also includes moderate customer growth projections based on the current economic climate. These inputs were developed in conjunction with EPCOR. The total revenue collected under the Sanitary Utility rate is being shared with EPCOR for wastewater treatment.

[3] Land Drainage revenue also consists of a proposed 8% rate increase to all rate classes. Land Drainage is charged based on the potential run-off generated

by the customer, which is determined by land use and lot size. Revenues collected for Land Drainage are dedicated to the storm system.

[4] Gold Bar Share of Rate Revenue is based upon the negotiated Revenue Allocation Model as part of the transfer of the plant. For 2010, the anticipated payment for wastewater treatment is 44.0%.

[5] Program revenue includes fees paid for biosolids disposal (by the Alberta Capital Region Wastewater Commission), lot grading, service connections, transfer station disposals and wastewater treatment for regional customers.

[6] Interest and Other Revenue consists of investment earnings and late payment charges to customers. The reduction in the Proposed 2010 Budget is the result of lower interest rates and lower cash balances available for investment (increased capital program in 2009).

[7] Transfer from Design & Construction reflects City Council's direction to financially segregate these operations from the Sanitary Utility. The elimination of Design and Construction revenue from the Sanitary Utility is being phased in over a number of years to manage the impacts on the Sanitary Utility rate.

2.2.1 Asset and Environmental Management

Overall Service Objective

To provide long term planning for the management of drainage assets and the protection of the environment in an efficient, effective and financially responsible manner.

Responsibility

The primary responsibility for this service is to identify and address current and emerging issues and needs by developing long range strategies, drainage plans, business plans, budgets and public education programs. Issues currently identified, include total loading to the North Saskatchewan River, new water quality parameters, regional servicing and coordination, infrastructure renewal/upgrading and system expansion.

Day-to-day work includes strategic planning, business planning, asset management, environmental management, public education, biosolids management and joint planning with Alberta Capital Region Wastewater Commission and EPCOR. It also includes the management of the Sanitary Servicing Strategy and its related fund.

Major accomplishments include:

- Combined Sewer Overflow Strategy – This strategy involves construction to reduce untreated combined storm runoff and sewage overflow to the North Saskatchewan River by storage, flow control in the system and wet weather treatment at the Gold Bar Wastewater Treatment Plant. The Enhanced Primary Treatment Facility was commissioned in 2009 and will provide a significant reduction in untreated flow to the river during wet weather events starting in 2010.

- Sanitary Servicing Strategy - This innovative strategy utilizes the financial resources of the land development industry, building industry and the Sanitary Utility for the construction of deep trunk sewers. Over the past 10 years, the completed work facilitated the servicing of land for approximately 75,000 residents in the city.

- Asset Inventory & Condition Rating – Among major Canadian municipalities, Drainage Services is at the leading edge of asset inventory and condition assessment. This is achieved through the use of state-of-the-art software and sewer condition rating methodology, resulting in a comprehensive database of the quantity and condition of the assets.

- Public Education Programs such as the 'Treat It Right' and 'Fats, Oil and Grease' campaigns. Adult public education programs use a variety of communication tools to increase citizens' awareness of their roles in environmental protection. Surveys after recent campaigns have indicated a significant increase in awareness.

- Total Loading Plan— In June 2009, Drainage Services submitted its Total Loading Plan to Alberta Environment. This plan marks a major milestone in the City's efforts to manage its cumulative loadings of total suspended solids (TSS) to the North Saskatchewan River. The Plan sets out a regulatory framework and a costeffective implementation plan that will limit future loadings of TSS to the river to current levels.

Operational Variables

- Changes to population distributions and development patterns (e.g. downtown densification initiatives such as the Quarters and the Municipal Airport Re-development) will require upgrading of existing sewers.
- Changes in Corporate funding policies which will affect the stability of utility rates (e.g. Establishment of Neighbourhood Renewal Reserve for roadway related renewal works)
- Changes in regulatory requirements (e.g. Total loadings for contaminants in addition to TSS) will require additional investments in the drainage system.

Current Service Level

Current Service Level	Key Resource Requirement	Capacity of Service	Risk of Not Doing
16 on-going major strategies, programs and plans in the following areas: • Environmental Management • Asset Management • System Upgrading • Public Education	Personnel Costs – $3.4 million for 38 FTEs Materials and Equipment – Computer hardware and software Contract Services – includes about 20 engineering and service contracts at $3.5 million	Current staffing plan is adequate to handle existing service level Current engineering services contracts are sufficient to cover all planning, financial and environmental studies	• Not meeting Approval-to-Operate conditions • Ineffective investment in assets • Unsustainable rate increases • Delay to land development processes • Inability to support and coordinate with Corporate initiatives • Widening of infrastructure gap • Environmental protection objectives compromised • Services provided to regional customers hampered • Joint environmental stewardship and planning model with EPCOR not achieved

Strategic Initiatives
Initiative #1 - Zero Discharge Vision

Alignment with The Way Ahead	Initiative	Immediate/Intermediate Output	Ultimate Outcome
Preserve and sustain Edmonton's environment Increase and broaden advancement towards zero waste	The Zero Discharge Vision is a long term strategy (20-30 years) that will move the City towards the goal of zero impact on the environment from storm runoff and wastewater discharge in Edmonton.	In 2010, a framework for a Zero Discharge Vision will be completed. In the intermediate term, strategies that support the Vision will be implemented in an integrated fashion in order to achieve the goals set out in the framework.	Edmonton's environment is preserved and sustained through utilization of leading edge practices in utility operations.

2010 Budget Impact	
	Base - Budgets are already in place for current Drainage initiatives. Long term funding requirements and risks will be quantified during the development of this vision. **Incremental** - Budget increase of $200,000 in 2010 for consulting and research

Key Consideration - To support a budget increase of $200,000 in 2010 in order to hire the necessary consulting and research expertise to produce a framework for the Zero Discharge Vision. Technical expertise that is not available in-house must be utilized to identify opportunities to reduce the discharge of contaminants to the river and increase the amount of recycled water (e.g. scavenging plants on sanitary trunks for industrial use or storm water capture for City use). The implementation of this initiative increases the Sanitary Utility rate by 0.3%, which is reflected in the Proposed Budget.

Initiative #2 - Asset Management Strategy

Alignment with The Way Ahead	Initiative	Immediate/ Intermediate Output	Ultimate Outcome
Transforming Edmonton's urban form Strategically invest in select infrastructure as set by Long Range Financial Plan and the Strategic Infrastructure Financial Strategy	This process improvement initiative is designed to increase the efficiency and effectiveness of the drainage utility to meet customers' demands throughout the full life cycle of the asset. By understanding the drivers such as asset condition, capacity and functionality, behind the various programs in the Drainage Master Plan, and working better with various internal and external stakeholders, this initiative answers the question: When is the right time to invest the right amount of resources on the right group of infrastructure?	In 2010, a renewal strategy to manage and optimize the life span of assets will be implemented. In the intermediate term, an increased (accelerated) rehabilitation and relining program for Drainage infrastructure will move ahead.	Excellence in environmental, urban, architectural and landscape design is exemplified by the provision of utilities in an integrated, holistic manner

2010 Budget Impact	
	Base - Budgets are already in place for current Drainage Asset Management projects. **Incremental** - There is no incremental budget required in 2010 for this initiative.

Drainage Services - Asset & Environmental Management ($000)

	2008 Actual	2009 Budget	Revenue & Cost Impacts	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Expenditure & Transfers								
Personnel	2,615	3,435	350	-	-	3,785	10.2	3,935
Materials, Goods & Supplies	415	375	8	-	-	383	2.1	390
External Services	737	1,117	(277)	-	-	840	(24.8)	537
Consulting & Professional Services	2,082	2,366	225	-	200	2,791	18.0	2,847
Fleet Services	25	16	-	-	-	16	-	17
Intra-municipal Services	261	212	5	-	-	217	2.4	221
Biosolids Processing	4,437	4,816	193	-	290	5,299	10.0	6,180
Other Charges	72	112	12	-	-	124	10.7	126
Transfer to Reserves	-	-	-	-	-	-	-	-
Subtotal	10,644	12,449	516	-	490	13,455	8.1	14,253
Intra-municipal Recoveries	(568)	(360)	(27)	-	-	(387)	7.5	(395)
Total Expenditure & Transfers	10,076	12,089	489	-	490	13,068	8.1	13,858
Full-time Equivalents	32.0	38.0	-	-	-	38.0	-	38.0

* *Cost Impacts include: inflation on personnel and non-personnel costs, annualization, performance. Revenue increases are due to rate and volume changes.*

Budget Changes for 2010 ($000)

Cost Changes

$ 350	Inflation - personnel
139	Inflation - non-personnel
$ 489	Total Cost Changes

Growth

$ 200	Zero Discharge Vision
290	Increase in volume of Bio-solids disposal
$ 490	Total Growth

Explanatory Notes:

The $200,000 in Growth reflects the desire to pursue the goal of Zero Discharge Vision.

Also reflected in this budget is the increased processing of biosolids by $290,000. This could translate into the disposal of an additional 1,000 dry tonnes in the Nutri-Gold Program depending on fuel costs and hauling distances.

2.2.2 Development Support and Regulatory Services

Overall Service Objective

To provide timely and effective service to homeowners, builders, land developers and commercial and industrial lot owners on regulated usage and expansion of the drainage systems.

Responsibility

Development Support and Regulatory Service directly impacts the public and developers through the delivery of programs such as private development approvals, infrastructure recording, sewer and water service connections, flood proofing, lot grading and local improvements. Environmental monitoring, infrastructure recording and regulatory compliance keep both the City and its customers in compliance with environmental laws.

The primary goal is to provide timely and cost effective responses to meet customers' needs and to ensure regulatory compliance.

Major accomplishments include:

- Industry Source Control Programs — This major program reduces mercury discharges from dental offices through bylaw changes requiring the installation of dental amalgam separators. Through an information campaign and subsequent inspection program, over 98% of dental offices now remove over 90% of the mercury released in dental amalgam during filling replacements. This mercury no longer ends up in the natural environment. Similar programs have targeted heavy metal releases from metal finishing operations, hydrocarbon releases from industrial and commercial operations as well as dry cleaning solvents from laundry facilities.

- Erosion and Sedimentation Control Framework - This framework, developed in 2004, culminated in the publishing of the Erosion and Sedimentation Control Guidelines and Field Manual which helps to reduce the impacts of projects requiring ground disturbance on the environment. The success rate for timely installation of Erosion and Sediment Control Plans by developers is 93% in 2008.

- Infrastructure Recording—Drainage Services has a sophisticated system of recording system facility information (e.g. DRAINS, WASS). Implementation of these systems has allowed engineering and operational staff to manage the system in real time.

- Flood Proofing Program – Under this program, subsidy is provided to homeowners who are interested in installing backwater valves to their existing homes as a means to minimize basement flooding from sewer backup. Reimbursement had been provided to 1,613 homeowners for installation of backwater valves during the period from 2004 to 2008.

- Local Improvement—Work undertaken in this program enables benefiting property owners to have sanitary, storm, and water systems and services constructed by the City and financed on the tax roll. Between 2005 and 2009 approximately $20 million of underground utilities were constructed in this manner, resulting in the servicing of approximately 155 hectares of commercial and industrial land.

Operational Variables

- Changes to the economic environment will affect land development and local improvement demands.

- Variations in number of over-strength customers will impact the amount of regulatory testing to be performed.

- Legislative changes will impact the amount and scope of regulatory testing.

Current Service Level

Current Service Level	Key Resource Requirement	Capacity of Service	Risk of Not Doing
Over 15,000 lot grading inspections Over 2,000 single family lots approved 830 planning circular processed Over 100 applications for backwater valve rebate reviewed More than 14,000 water and sewer servicing and local improvement inquiries handled	Personnel Costs – $6.9 million for 80.5 FTEs Materials and Equipment – Computer hardware and software Contract Services – includes about 25 engineering services and data collection contracts at about $1.4 million	Current staff plan is adequate to handle the existing service level Current engineering services contracts are sufficient to cover all development support and regulatory activities 2,250 lot grading inspections per FTE 2,300 water and sewer servicing and local improvement inquiries per FTE	• Delay to land development process • Wastewater treatment process adversely affected • Not meeting Approval to-Operate conditions • Processing time for water and sewer service applications longer • Higher risk for errors in calculating drainage assessments • Unable to support and co-ordinate with Corporate initiatives • Infrastructure damage due to construction with inadequate information (e.g. Alberta One Call)

Drainage Services - Development Support and Regulatory Services ($000)

	2008 Actual	2009 Budget	Revenue & Cost Impacts*	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Expenditure & Transfers								
Personnel	5,540	6,938	448	-	-	7,386	6.5	7,750
Materials, Goods & Supplies	737	790	16	-	-	806	2.0	821
External Services	275	1,258	79	-	-	1,337	6.3	183
Consulting & Professional Services	2,851	177	4	-	-	181	2.3	1,363
Fleet Services	54	48	-	-	-	48	-	49
Intra-municipal Services	2,119	1,305	39	-	50	1,394	6.8	1,421
Utilities	162	237	3	-	-	240	1.3	243
Other	48	-	-	-	-	-	-	-
Restatement for Gold Bar	-	-	-	-	-	-	-	
Transfer to Reserves	-	-	-	-	-	-	-	-
Subtotal	11,786	10,753	589	-	50	11,392	5.9	11,830
Intra-municipal Recoveries	(1,716)	(1,600)	(33)	-	447	(1,186)	(25.9)	(1,209)
Total Expenditure & Transfers	10,070	9,153	556	-	497	10,206	11.5	10,621
Full-time Equivalents	77.5	80.5	-	-	-	80.5	-	80.5

* *Cost Impacts include: inflation on personnel and non-personnel costs, annualization, adjustments based on current performance. Revenue increases are due to rate and volume changes.*

Budget Changes for 2010 ($000)

Cost Changes

$ 448	Inflation - personnel
79	Inflation - non-personnel
29	Other cost adjustments
$ 556	Total Cost Changes

Growth

$ 50	Operating impacts from monitoring system
447	Reflects lower recovery from inspection of developer contributed assets
$ 497	Total Growth

Explanatory Notes:

The proposed 2010 Budget generally reflects the inflationary impact of services. Current economic conditions indicate a slower rate of development, hence lower developer contributed assets. The budget reflects the lower recovery from private developers associated with the inspection of contributed assets.

2.2.3 Operations & Maintenance

Overall Service Objective

To provide timely and efficient sewer system maintenance in order to achieve optimal operating conditions of the infrastructure, environmental protection and customer satisfaction.

Responsibility

The primary responsibility of Operations and Maintenance is to operate and maintain a reliable wastewater collection and transmission system (conveying flows to the Gold Bar Wastewater Treatment Plant) and a reliable storm water conveyance and management system (conveying flows to the North Saskatchewan River and its tributaries).

On a day to day basis, this major service provides:

- sewer infrastructure maintenance (including high and low pressure flushing plus tree root and grease control)
- operation and maintenance of pumping stations, remote flow control structures and storm water management facilities
- inspection of mainline and sewer services by closed circuit television (CCTV); visual inspection of trunk sewers and storm outfalls
- customer service calls (including emergencies and complaints).

Recent accomplishments of Operations and Maintenance Section include:

- Achievement of ISO 14001 re-certification in 2008
- Reduced water consumption in operations through changing focus from low to high pressure flushing
- Maintenance of service levels despite significant increase in drainage asset inventory during the past 5 years (10% in sewers, 15% in pumping stations and 26% in storm water management facilities).

Operational Variables

Growing High Priority (Emergency) Repair Needs:

- As mentioned in the Issues and Challenges section, the number of high priority repairs has increased significantly in recent years. Operations and Maintenance is responsible for handling the initial trouble call

in each of these cases (e.g. flood response), before handing it off to Design and Construction to complete the design and repair work. A higher number of emergency calls can delay regular planned maintenance.

Rate of Growth of Drainage System:

- The variation from year to year in system growth is unpredictable, and this makes resource planning difficult.

Changes in Material Costs:

- The high cost of some materials can reduce the purchasing power of the available budget.

New Technology and Equipment:

- New equipment for electronic monitoring and remote control software require a substantial increase in training and support for maintenance crews.
- Hiring and retaining skilled trades people has been, and continues to be difficult.
- Updated code and legal requirements demand a higher level of equipment and materials resulting in higher operational and maintenance costs.

Current Service Level

Current Service Level	Key Resource Requirement	Capacity of Service	Risk of Not Doing
Overall Operations and Maintenance: Maintain over: - 5,300km of sewer pipes - 158 storm water management facilities - 71 pumping stations - 74,000 manholes - 50,000 catchbasins - 43 peak flow storage units	Personnel (largely Preventative Maintenance)– including crew of technical specialist and labourers at $12.8 million for 172.8 FTEs.	Storm water management facility weed and algae control: Annually and as required. River flow control gates: Serviced every 6 months.	Risks to the environment and potentially to our ability to satisfy the Approval to Operate document from the Province. Reduced life span of assets. Damage to properties due to flooding.
Sewer Inspection: Inspection of approximately 100 km of mainlines and over 5,000 service pipes.	Sewer Inspections Equipment - 4 mainline TV inspection units (3 people each) and 10 service TV inspection and rodding crews (2 people each).	River outfalls: Inspected biweekly, sampled as required.	Possible deterioration of service due to pipe failure and the accompanying customer inconvenience.
Preventative Measures: Over 650 km of high pressure flushing and tree root removal from 70 km of pipe.	Sewer Cleaning Equipment – including combination units for high pressure flushing and cleaning catchbasins (14 units @ $500,000 each).	High Pressure Flushing: Routes established for 3 months, 6 months, or 12 months frequencies. Low pressure flushing: Routes established for one year frequency. Mainline tree root removal: Routes established for 3-year frequency. Catchbasin Cleaning: All bus routes completed annually, other areas as required.	Higher risk of pipe blockage due to tree roots or grease in the sewer pipes.

Current Service Level con't

Current Service Level	Key Resource Requirement	Capacity of Service	Risk of Not Doing
Customer Service Calls: Management and field crews on standby to respond to emergencies after normal working hours (Weekends and statutory holidays included).	Emergency Response Materials and Supplies – including operations of specialized vehicles, and other outfitting for outdoor crews.		Inadequate response to emergency situations may impact the City negatively.

Strategic Initiatives

Drainage Operations and Maintenance supports the implementation of the Asset Management Strategy, discussed under the Asset and Environmental Management major service. The support of this initiative is largely by way of inspection of current assets to provide input to condition assessments and prioritization of work.

Drainage Services - Operations and Maintenance ($000)

	2008 Actual	2009 Budget	Revenue & Cost Impacts*	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Expenditure & Transfers								
Personnel	10,382	12,746	287	-	-	13,033	2.3	13,808
Materials, Goods & Supplies	1,746	1,320	469	-	-	1,789	35.5	1,823
External Services	897	925	(21)	-	-	904	(2.3)	922
Fleet Services	2,686	2,794	(142)	-	-	2,652	(5.1)	2,755
Intra-municipal Services	764	693	256	-	-	949	36.9	967
Utilities	718	849	(35)	-	-	814	(4.1)	829
Other Charges	282	241	(27)	-	-	214	(11.2)	218
Transfer to Reserves	-	-	-	-	-	-	-	-
Subtotal	17,475	19,568	787	-	-	20,355	4.0	21,322
Intra-municipal Recoveries	(521)	(1,331)	(27)	-	-	(1,358)	2.0	(1,385)
Total Expenditure & Transfers	16,954	18,237	760	-	-	18,997	4.2	19,937
Full-time Equivalents	161.9	172.8	2 .1	-	-	174.9	-	174.9

* *Cost Impacts include: inflation on personnel and non-personnel costs, annualization, adjustments based on current performance. Revenue increases are due to rate and volume changes.*

Budget Changes for 2010 ($000)

Cost Changes

$ 287	Inflation - personnel
473	Inflation - non-personnel
$ 760	Total Cost Changes

Full Time Equivalents

2.1	Annualization of 2009 FTEs

Explanatory Notes:

The Proposed 2010 Budget contains inflationary impacts and annualization of 2009 FTEs.

A realignment of budget and actuals was completed, resulting in a reallocation of funds from other cost elements to Materials, Goods, and Supplies. This will properly match actual expenditure to the correct cost element budget.

The change in Intra-municipal Services is a combination of an increase in 311 costs as well as a realignment of budget across the major activities.

2.2.4 Program Support and Financial Costs

Program Support and Financial Costs provide a summary of support costs for the two Utilities, including financial costs and charges, customer billing service, shared services costs charged by various providers and office of the Manager.

Drainage Services - Program Support and Financial Costs

	2008 Actual	2009 Budget	Revenue & Cost Impacts*	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Expenditure & Transfers								
Personnel Costs	618	553	37	-	-	590	6.7	613
Materials, Goods & Supplies	10	24	1	-	-	25	4.2	25
External Services	100	633	14	-	-	647	2.2	660
Customer Billing Service	3,672	4,394	457	-	-	4,851	10.4	4,948
Payment to Intra-Municipal	4,307	4,902	282	-	-	5,184	5.8	5,384
Debt Interest	7,260	9,143	-	-	3,219	12,362	35.2	14,951
Depreciation net of Amortization	6,016	12,285	(926)	-	-	11,359	(7.5)	9,160
Local Access Fee	4,438	5,086	323	-	-	5,409	6.4	5,916
Other Charges	160	259	4	-	-	263	1.5	268
Transfer to Reserves	-	-	-	-	-	-	-	-
Subtotal	26,581	37,279	192	-	3,219	40,690	9.1	41,925
Intra-municipal Recoveries	(2,692)	(3,288)	1,374	-	-	(1,914)	(41.8)	(963)
Total Expenditure & Transfers	23,889	33,991	1 ,566	-	3 ,219	38,776	14.1	40,962
Full-time Equivalents	4.0	4.0	-	-	-	4.0		4.0

* *Cost Impacts include: inflation on personnel and non-personnel costs, annualization, adjustments based on current performance. Revenue increases are due to rate and volume changes.*

Budget Changes for 2010 ($000)

Cost Changes

$ 37	Inflation - personnel
19	Inflation - non-personnel
457	Increase cost from customer billing services
282	Other cost adjustments
(926)	Change in depreciation expense
323	Increase in local access fee because of increase in sanitary revenue
1,374	Lower recovery from capital projects because of changes in Tangible Capital Asset Legislation
$ 1,566	Total Cost Changes

Growth

$ 3,219	Increase interest charges from debentures for debt financed capital projects in 2009.

Explanatory Notes:

Interest cost of $3.22 million has been included in 2010 for debentures issued as a result of significant capital expenditures in 2009. The majority of capital is financed by 25-year debentures.

The reduction in Intra-Municipal Recovery of $1.37 million is a result of the required adoption of Tangible Capital Assets (TCA) rules which restrict the eligibility of charges to capital projects.

Customer Billing Service is provided by a division of EPCOR on a contract basis. The increase of $0.46 million for the service provided includes customer data management, billing, and collection. The proposed budget for this service is based upon the current estimate by EPCOR.

Payment to Intra-Municipal consists of Shared Services and Corporate Charges. The net increase of $0.28 million is the result of projected cost increases and a recalculation of the City's corporate overhead allocation. There is an ongoing corporate initiative to provide greater equity and transparency for the charges.

CAPITAL BUDGET UPDATE AND PRO-FORMA STATEMENTS tab

3.0 CAPITAL BUDGET UPDATE

3.1 Capital Budget and Budget Adjustment Requests

The following is a summary of the City Council approved 2009-2011 Capital Budgets for Drainage Services, with the proposed Budget Change Request outlined in the shaded area.

2009-2011 Capital Budget Summary and Update

Project #	Project Name	2009 Budget	2010 Budget	2011 Budget	3-Year Budget Total	Budget Change Request 2009	2010	2011	Revised 3 Year Total
09-23-0600	Environmental Improvements	1,575	1,610	1,646	4,831				4,831
05-23-2160	Opportunistic Sewer Separation	4,048	3,000	3,000	10,048				10,048
06-31-4210	Mill Creek Storm Improvements	4,036	-	-	4,036				4,036
06-31-4211	N.E. Highwater Table Drainage	266	-	-	266				266
07-31-4304	Wetlands - Kennedale and Pylypow	5,227	5,653	71	10,951				10,951
06-23-5415	CSO Performance Optimization	536	1,583	-	2,119				2,119
09-23-7199	Review/Inspect Developer Built Sewers	960	988	1,028	2,976				2,976
04-23-8100	Double Barrel - West End	105	-	-	105				105
08-23-9202	Mill Woods Double Barrel Replace/SESS SA1	12,723	13,600	12,500	38,823	(4,341)	(1,041)	4,341	37,782
04-23-9302	WESS W12	4,655	3,500	2,372	10,527				10,527
09-23-9503	Structures Rehabilitation	8,806	9,170	8,213	26,189	(910)	(1,452)	(1,455)	22,372
09-23-9504	Sewer Rehabilitation	13,702	12,674	12,760	39,136	(3,802)	(2,774)	(2,210)	30,350
09-23-9510	Mature Neighbourhood Rehabilitation - Dr	38,000	31,500	28,600	98,100	(1,864)	(1,500)	(12,100)	82,636
07-23-9511	Flood Prevention	10,606	16,816	9,059	36,481	(431)	(736)	(1,459)	33,855
09-23-9513	Service Connections Expansion	2,817	2,817	2,818	8,452				8,452
09-31-9604	Stormwater Infrastructure	2,721	636	649	4,006				4,006
09-23-9608	Local Improvement Sewers	17,000	10,547	8,053	35,600	-	11,453	(1,053)	46,000
03-31-9613	Stormwater Management Facilities	1,199	2,959	4,320	8,478				8,478
09-31-9615	Stormwater Quality Enhancement	50	120	216	386				386
09-23-9702	CSO Control Strategy	1,468	1,323	1,762	4,553				4,553
09-23-9703	Infrastructure Upgrading	2,001	590	1,125	3,716				3,716
09-23-9704	Environmental Monitoring	958	813	867	2,638				2,638
Facilities/Equipment Upgrading & Expansion (Consolidated)		16,543	4,070	3,431	24,044				24,044
SSSF Projects (Consolidated)		11,250	20,000	12,050	43,300				43,300
Gold Bar Projects (Consolidated and Transferred)		4,006	-	-	4,006				4,006
Total Capital		**165,258**	**143,969**	**114,540**	**423,767**	**(11,348)**	**3,950**	**(13,936)**	**402,433**
Financing									
Local Improvements		16,980	10,547	8,053	35,580	-	11,453	(1,053)	45,980
Other Misc Financing		16,550	28,000	17,750	62,300	(1,808)	(3,410)	605	57,687
Retained Earnings		21,097	26,382	24,554	72,033	7,524	(6,924)	(6,782)	65,851
Self Liquidating Debentures		81,938	68,638	60,882	211,458	(17,064)	2,831	(6,706)	190,519
Developer/Partner Financing		7,996	2,903	3,287	14,186	-	-	-	14,186
Grants		20,697	7,499	14	28,210	-	-	-	28,210
Total Financing		**165,258**	**143,969**	**114,540**	**423,767**	**(11,348)**	**3,950**	**(13,936)**	**402,433**

Adjustments Required:

Mill Woods Double Barrel Replace / SESS SA1 (08-23-9202)

Construction for this multi-year (2009-2012) project started in 2009. This cash flow adjustment reflects the latest construction schedule and project cost estimate resulting in a $1 million reduction. As the project progresses, further adjustment may be made in 2010.

Structures Rehabilitation (09-23-9503)

This program is largely centered around trunk sewer and outfall rehabilitation, pump station upgrading and trestle repair. A reduction of $3.8 million for this program, over the next three years (2009 and 2011), reflects a more conservative forecast for individual project costs, but maintains the overall objectives of the consolidated capital profile.

Sewer Rehabilitation (09-23-9504), Mature Neighbourhood Rehabilitation (09-23-9510) and Flood Prevention (07-23-9511)

Reasons for requesting budget reduction are explained in the Issues and Challenges Section.

Local Improvement Sewers (09-23-9608)

An increase of the local improvement (LI) budget of $10.4 million over 2010 and 2011 is to provide funding to potential LI funded projects in Aurum West Industrial, Mistatim North Industrial, and the Bergman residential replot.

2009-2011 Supplemental Budget Adjustment (SBA) - Sanitary Utility

Project #	Project Name	2009 Budget	2010 Budget	2011 Budget	3-Year Budget Total
Approved Totals		**96,076**	**85,934**	**66,367**	**248,377**
Proposed Adjustment:					
08-23-9202	Mill Woods Double Barrel Replac/SESS SA1	(4,341)	(1,041)	4,341	(1,041)
09-23-9503	Structures Rehabilitation	(898)	(1,398)	(1,385)	(3,681)
09-23-9504	Sewer Rehabilitation	(2,811)	(1,898)	(1,507)	(6,216)
09-23-9510	Mature Neighbourhood Rehabilitation - Dr	(1,864)	(750)	(3,630)	(6,244)
07-23-9511	Flood Prevention	(78)	(45)	(568)	(691)
09-23-9608	Local Improvement Sewers	-	5,500	(500)	5,000
Total Proposed Adjustment		**(9,992)**	**368**	**(3,249)**	**(12,873)**
Revised Total Capital		**86,084**	**86,302**	**63,118**	**235,504**
Financing Changes Due to Proposed Adjustment:					
Local Improvements		-	5,500	(500)	5,000
Other Misc Financing		(1,808)	(3,410)	605	(4,613)
Retained Earnings		5,596	(617)	(182)	4,797
Self Liquidating Debentures		(13,780)	(1,105)	(3,172)	(18,057)
Developer/Partner Financing		-	-	-	-
Grants		-	-	-	-
Total Financing for Proposed Adjustment		**(9,992)**	**368**	**(3,249)**	**(12,873)**

2009-2011 Supplemental Budget Adjustment (SBA) - Land Drainage Utility

Project #	Project Name	2009 Budget	2010 Budget	2011 Budget	3-Year Budget Total
Approved Totals		**69,182**	**58,035**	**48,173**	**175,390**
Proposed Adjustment:					
09-31-9503	Structures Rehabilitation	(12)	(54)	(70)	(136)
09-31-9504	Sewer Rehabilitation	(991)	(876)	(703)	(2,570)
09-31-9510	Mature Neighbourhood Rehabilitation - Dr	-	(750)	(8,470)	(9,220)
07-31-9511	Flood Prevention	(353)	(691)	(891)	(1,935)
09-31-9608	Local Improvement Sewers	-	5,953	(553)	5,400
Total Proposed Adjustment		**(1,356)**	**3,582**	**(10,687)**	**(8,461)**
Revised Total Capital		**67,826**	**61,617**	**37,486**	**166,929**
Financing Changes Due to Proposed Adjustment:					
Local Improvements		-	5,953	(553)	5,400
Other Misc Financing		-	-	-	-
Retained Earnings		1,928	(6,307)	(6,600)	(10,979)
Self Liquidating Debentures		(3,284)	3,936	(3,534)	(2,882)
Developer/Partner Financing		-	-	-	-
Grants		-	-	-	-
Total Financing for Proposed Adjustment		**(1,356)**	**3,582**	**(10,687)**	**(8,461)**

Capital Impacts on the Operational Budget

The Budget Change Request to the 2009-2011 Capital Budget will have no impact on the 2010 Operating Budget. The need of additional resources will be reviewed again during the preparation of next year's Operating Budget.

3.2 Sanitary Servicing Strategy Fund (SSSF)

Background

In July 1998, City Council approved the Sanitary Servicing Strategy. The strategy is to put in place a 75-year plan to provide sanitary servicing for new land development within the city. The Sanitary Servicing Strategy Fund gets its revenues from the following sources:

- Sanitary Sewer Trunk Charge (from the builders)
- Expansion Assessment (from the developers)
- Sanitary Utility Contributions (from the Utility)

The SSSF is only used to build sewers which are larger than 1,050mm in diameter and serve areas greater than 1,400 hectares. It is managed by a committee made up of representatives from the Urban Development Institute, Planning & Development Department and Drainage Services.

Current Project and Financial Status

Current projects funded under this strategy include various major pipe segments (such as W1, W14, NL2, NL3, N1, SW3 and SA1b) located in different parts of the City.

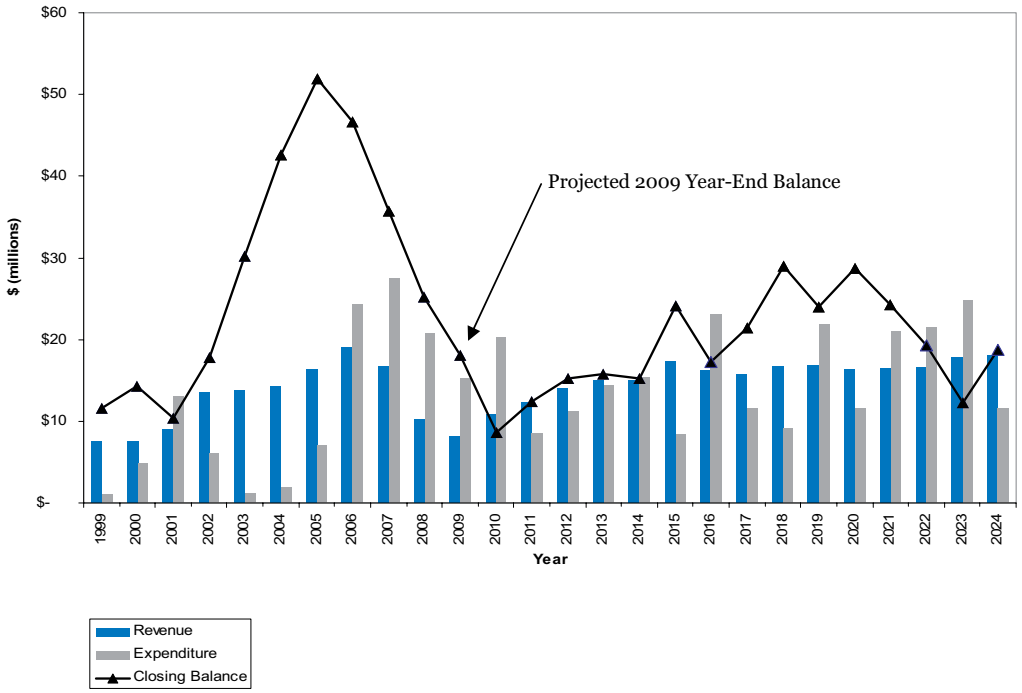
At the end of December 2008, the Sanitary Servicing Strategy Fund had a balance of $25.2 million. With the projects already initiated and the drastic reduction

KEY CONSIDERATION

A major review of the Sanitary Servicing Strategy Program has been conducted in 2009. The review looks into the future needs of the program and proposes funding options to ensure sustainability of the fund. Based on the findings of the review, the SSSF Management Committee recommends Council approve a 5.25% rate increase for 2010. This proposed increase relates to developer contributions and does not affect Drainage rates

in revenue from land development activities experienced in the early part of 2009, the Fund balance at the end of 2009 is projected to drop to $17 million. To ensure sustainability of the program, the estimated revenue and expenditures are constantly reviewed and appropriate adjustments to the rates as well as construction cashflow requirements will be made whenever necessary.

SANITARY SERVICING STRATEGY FUND



3.3 Pro-Forma Statements

3.3.1 Sanitary Utility Pro-forma Balance Sheet For Years 2010 - 2014 ($000)

	2010	2011	2012	2013	2014
Assets					
Cash and deposits	29,362	26,404	23,505 2	2,023	19,729
Current Assets (Receivables & Misc)	14,283	14,283	14,283	14,283	14,283
Investment in Capital Assets					
Financed - net	415,286	444,254	474,903	500,122	535,871
Contributed - net	493,201	505,406	521,181	514,833	531,669
Total Assets	**952,132**	**990,347**	**1,033,872**	**1,051,261**	**1,101,552**
Liabilities					
Current Liabilities (AP & Misc)	26,236	26,236	26,236	26,236	26,236
Current Portion of Long-term Debt	15,711	16,163	17,328	18,614	18,966
Long-term Debt	200,918	218,420	236,283	249,422	270,524
Total Liabilities	**242,865**	**260,819**	**279,847**	**294,272**	**315,726**
Equity					
Equity in Capital Assets					
Contributed Assets	493,201	505,406	521,181	514,833	531,669
Financed Assets	186,704	197,716	209,340	220,133	234,428
Retained earnings - to be invested	29,362	26,406	23,504	22,023	19,729
Total Equity	**709,267**	**729,528**	**754,025**	**756,989**	**785,826**
Total Liabilities & Equity	**952,132**	**990,347**	**1,033,872**	**1,051,261**	**1,101,552**
Utility Fiscal Policy					
Cash Reserve ($M) $17M to $38M	$29.4	$26.4	$23.5	$22.0	$19.7
Debt Service Coverage Ratio not less than 1.2	3.3	2.7	2.5	2.5	2.4
Capital Financing 50% - 70% Debt Financing	77.7%	74.2%	75.0%	75.0%	75.0%

Explanatory Notes:

Cash and Deposits

Cash and deposits are systematically being drawn down as proposed financing of utility financed capital projects are funded, on average 75% debt and 25% retained earnings (cash). As indicated in the Utilities Governance Review of July 2009, care would need to be taken to balance between the use of cash and debt financing to ensure the long term sustainability of the Utility. Administration will be undertaking a review of this issue over the upcoming year as part of the Utility Fiscal Policy review.

CAPITAL BUDGET UPDATE AND PRO-FORMA STATEMENTS

Investment in Capital Assets

Financed assets represent investment in capital assets paid for by the Sanitary Utility either through debt or retained earnings, supported through the utility rate. Contributed assets are capital infrastructure that have been constructed and/or paid for by third parties. This increased investment in capital infrastructure is detailed in the Capital Budget Section of this document.

Long Term Debt

The amount of Long Term Debt is expected to rise as the financing of the proposed capital projects is generally 75% debt and 25% retained earnings for the next 5 years. The total amount of outstanding debt is increasing as the amount of debt being retired is less than the new debt being issued. To determine the optimal financial structure, analysis will be undertaken as part of the Utility Fiscal Policy Review process.

Utility Fiscal Policy Indicators

Cash Reserve—Over the 5 year period, the projected cash reserve balance is within the range identified in the Utility Fiscal Policy. The downward trend in the projected cash balance is reflective of the increased investment in capital infrastructure.

Debt Service Coverage—This reflects the Utility's ability to pay the debt servicing costs (principal and interest) relative to the amount of revenue collected in a given year. The projected 5-year coverage ratio meets the Utility Fiscal Policy target.

Capital Financing—In order to maintain a rate increase of 6% to 8% over the next 5-years, the planned investment in capital infrastructure requires a higher level of debt financing (over 70%) than identified in the Utility Fiscal Policy. As part of the Utility Fiscal Policy Review, the optimal financial structure and the level of capital investment will be reviewed.

3.3.2 Sanitary Utility Pro-forma Income Statement For Years 2010 - 2014 ($000s)

	2010	2011	2012	2013	2014
Revenues					
Rate & Program Revenue	$72,340	$78,029	$82,801	$88,752	$95,132
Interest income	518	846	927	616	577
Total revenue	72,858	78,875	83,728	89,368	95,709
Expenses					
O & M	38,921	41,555	43,707	45,356	46,460
Depreciation*	9,111	8,468	8,565	9,023	9,468
Interest	9,520	11,000	11,894	12,794	13,529
Local Access Fee	5,409	5,916	6,350	6,818	7,320
Total expenses	62,961	66,939	70,516	73,991	76,777
Net Income	9,897	11,936	13,212	15,377	18,932
Rate Increase	8%	8%	6%	6%	6%

*Net of amortization of contributed assets

Utility Fiscal Policy

Average Equity	$211,416	$220,094	$228,483	$237,500	$248,157
Return on Avg. Equity 6% - 10%	4.7%	5.4%	5.8%	6.5%	7.6%
Local Access Fee ($M) 8% of Qualifying Revenue	$5.4	$5.9	$6.4	$6.8	$7.3
Dividend ($M) payable in following year					
30% to 2012	$2.6	$3.2	$3.6	$4.2	$5.3
move to 40% effective 2013				$1.4	$1.8

Explanatory Notes:

The rate revenue shown in the Pro-forma statement reflects the City's portion of revenues based on the projected rate increases. As part of the Master Agreement with EPCOR, there will be a "true-up" process after the completion of the 2009 operations. It is unclear at this point how the process will impact the revenue allocation split.

Utility Fiscal Policy Indicators

Return on Average Equity—There are two key factors that contribute to a lower return on average equity. The most notable is the significant investment in capital infrastructure undertaken in 2009. As a result of new debt issued, expenditures increased by $2.2 million. The requirement to implement Tangible Capital Asset Regulation further increased expenditures by $0.4 million. These increased expenditures lower the 2010 Return on Average Equity.

Local Access Fee—The increase is the result of applying the rate on a larger revenue base. This amount is paid to the City of Edmonton monthly.

Dividend—The amount of dividend is based upon 30% of the actual net income, adjusted for the contribution to the Sanitary Servicing Strategy Fund, payable in the following year. This rate will increase to 40% in 2013 to be payable in 2014.

3.3.3 Land Drainage Utility Pro-forma Balance Sheet For Years 2010 - 2014 ($000)

	2010	2011	2012	2013	2014
Assets					
Cash and Deposits	16,787	13,359	15,143	15,851	10,982
Other Current Assets	5,053	5,053	5,053	5,053	5,053
Investment in Capital Assets					
Financed - net	124,011	155,227	172,900	194,066	217,123
Contributed - net	741,751	732,005	719,917	707,460	694,637
Total Assets	887,602	905,644	913,013	922,430	927,795
Liabilities					
Current Liabilities	4,647	4,647	4,647	4,647	4,647
Current Portion of Long-term Debt	2,369	2,900	3,296	3,754	4,136
Long-term Debt	79,665	96,557	105,330	115,674	126,979
Total liabilities	86,681	104,104	113,273	124,075	135,762
Equity					
Equity in Capital Assets					
Contributed Assets	741,751	732,005	719,917	707,460	694,637
Financed Assets	42,384	56,175	64,681	75,044	86,414
Retained Earnings	16,786	13,360	15,142	15,851	10,982
Total equity	800,921	801,540	799,740	798,355	792,033
Total Liabilities & Equity	887,602	905,644	913,013	922,430	927,795
Utility Fiscal Policy					
Cash Reserve ($M) $6M to $12M	$16.8	$13.4	$15.1	$15.9	$11.0
Debt Service Coverage Ratio not less than 1.2	2.7	2.0	1.7	1.6	1.3
Capital Financing 50% - 60% Debt Financing	58.8%	62.0%	64.7%	63.0%	62.9%

Explanatory Notes:

Cash and Deposits

Cash and deposits are systematically being drawn down as proposed financing of utility financed capital projects are funded, on average 65% debt and 35% retained earnings (cash). As indicated by the Utilities Governance Review of July 2009, care is required to balance between the use of cash and debt financing to ensure the long term sustainability of the utility. Administration will be undertaking a review of this issue over the upcoming year as part of the Utility Fiscal Policy review.

Investment in Capital Assets

Financed assets represent investment in capital assets paid for by the Land Drainage Utility either through debt or retained earnings, supported through the utility rate. Contributed assets are capital infrastructure that have been constructed and/or paid for by third parties. This increased investment in capital infrastructure is detailed in the Capital Budget Section of this document.

Long Term Debt

The amount of Long Term Debt is expected to rise as the financing for the proposed capital projects is generally 65% debt and 35% retained earnings for the next 5 years. The total amount of outstanding debt is increasing as the amount of debt being retired is less than the new debt being issued. To determine the optimal financial structure, analysis will be undertaken as part of the Utility Fiscal Policy Review process.

Utility Fiscal Policy Indicators

Cash Reserve—Over the 5-year period, the projected cash reserve balance is slightly above the range identified in the Utility Fiscal Policy. The cash reserve range was developed in 2005 as part of the update to the Utility Fiscal Policy. Preliminary analysis suggests that the range should be increased to a range of $8 to $17 million. Further review will occur in 2010 as part of the Utility Fiscal Policy Review.

Debt Service Coverage—This reflects the Utility's ability to pay the debt servicing costs (principal and interest) relative to the amount of revenue collected in a given year. The projected 5-year coverage ratio meets the Utility Fiscal Policy target.

Capital Financing—In order to maintain a rate increase of 6% to 8% over the next 5 years, the planned investment in capital infrastructure requires a higher level of debt financing (over 60%) than identified in the Utility Fiscal Policy. As part of the Utility Fiscal Policy Review, the optimal financial structure and the level of capital investment will be reviewed.

3.3.4 Land Drainage Utility Pro-forma Income Statement For Years 2010 - 2014 ($000s)

	2010	2011	2012	2013	2014
Revenues					
Rate & Program Revenue	26,084	28,323	30,197	32,196	34,330
Interest income	364	483	469	397	415
Total revenue	**26,448**	**28,806**	**30,666**	**32,593**	**34,745**
Expenses					
O & M	12,995	13,797	14,587	15,034	15,499
Depreciation*	2,249	692	970	1,206	1,481
Interest	2,842	3,951	4,821	5,280	5,820
Local Access Fee	0	0	0	0	2,659
Total expenses	**18,086**	**18,440**	**20,378**	**21,520**	**25,459**
Net Income	8,362	10,366	10,288	11,073	9,286
Rate Increase	8%	8%	6%	6%	6%

*Net of amortization of contributed assets

Utility Fiscal Policy

Average Equity	54,989	64,353	74,679	85,359	94,146
Return on Avg. Equity up to 25%	15.2%	16.1%	13.8%	13.0%	9.9%
Local Access Fee ($M) to be reviewed in 2014	$0.0	$0.0	$0.0	$0.0	$0.0
Dividend ($M) to be reviewed in 2014	$0.0	$0.0	$0.0	$0.0	$0.0

Explanatory Notes:

The rate revenue shown in the Pro-forma statement reflects the Land Drainage revenue based on the projected rate increases.

Utility Fiscal Policy Indicators

Return on Average Equity—There are two key factors that contribute to a declining return on average equity. The most notable is the significant investment in capital infrastructure undertaken in 2009. As a result of new debt issued, expenditures increased by $1 million. The requirement to implement Tangible Capital Asset Regulation further increased expenditures by $1 million. These increased expenditures lower the 2010 Return on Average Equity.

The Local Access Fee and Dividend payment will be reviewed in 2014 (Policy C304B).

DESIGN AND CONSTRUCTION tab

4.0 DESIGN AND CONSTRUCTION

Overall Service Objective

To optimally leverage the City's construction expertise, particularly tunneling, by maximizing design and construction services to Drainage Services, other City departments, and external organizations while providing a reasonable return back to the City.

Responsibility

The primary responsibility of D&C is to:

- design and construct wastewater and storm drainage system facilities including open cut and tunneling in support of Drainage Services, and
- provide construction and project management services to other City departments and external organizations.

On a day-to-day basis, this major service within Drainage Services primarily provides design, installation, and project management and contract administration services for construction and rehabilitation of sewer pipes using open cut or trenchless methods. This business unit also has the skills, experience, equipment, and capacity to provide broader services within the City of Edmonton as well as to external organizations.

The tunneling expertise within D&C is recognized as being among the best in Canada.

Operational Variables

- Dramatically Increasing Volume of Work
  - Work has more than quadrupled in the last 5 years (from $31 million to $136 million). This is largely a result of an increase in Drainage capital projects associated with flood prevention, mature neighborhood rehabilitation and sanitary servicing of new developments. In addition, the work performed in recent years for the South LRT, and potentially, for the North LRT, increase the construction workload further.
- Sustainable Growth of the Business
  - D&C must balance risk and return when looking at the source of new work. Internal work, particularly for Drainage Services, has lower return, but is reliable and has lower risk. External work may yield a higher rate of return but comes with higher risk and variability.
  - Currently, D&C's equipment has a replacement value of approximately $77 million. Equipment such as tunnel boring machines, drill rigs, and generators, range from 1 to 15 years old. The average life cycle for this equipment is 5 to 10 years. This requires major investment and more earnings must be retained for renewal and replacement.
  - D&C requires reorganization to add expertise, retain key staff, and support succession planning. Sustainability requires growing the skills of office, shop and field staff.
  - D&C will continue to pursue new areas of trenchless technologies to expand its current operations.

DESIGN AND CONSTRUCTION

Current Service Level

Current Service Level	Key Resource Requirement	Capacity of Service	Risk of Not Doing
Service offered to all internal and external clients: **Design** • Conceptual / preliminary / detailed design, modeling, drafting, permitting, estimating, scheduling • Survey, testing, emergency engineering, commissioning **Construction** • Tunneling • Open-cut • Shop • Support services	D&C currently has $25 million for 296 FTEs with nearly 35% working in tunnel construction. Equipment is a significant component of D&C's budget. Currently the operation has 6 tunnel boring machines (TBM), and 17 other pieces of major equipment including cranes, drill rigs, compressors, fans and generators.	Additional FTEs are required for additional construction capacity (General Supervisors are especially needed). Currently, the ratio of inhouse to external design work is 50:50. Resource requirements would need to be considered if this ratio changes. Upgrading current shop and yard services would enable a continued growth in capacity.	• Inability to complete major capital projects • Increased cost to the City, and loss of revenue • Faster deterioration of current assets due to inability to renew them • Loss of in-house expertise

Strategic Initiative

Alignment with The Way Ahead	Initiative	Immediate/ Intermediate Output	Ultimate Outcome
Increase revenue sources and reduce reliance on residential property tax to meet strategic infrastructure and service needs.	Design and Construction Review (from a financial perspective) – increase the financial capacity of the Design and Construction operation through evaluating current practices, both to increase the ability to be self sustaining and to become a formal profit centre for the city.	Drainage Design and Construction activities generate increased revenue.	The Utilities generate significant non-tax revenue to support City plans and the provision of infrastructure and services.
2010 Budget Impact	**Base** - Financial and structural changes resulting from this review should enable a sustainable return to the City. Within the Design and Construction budget, there are anticipated changes to rate of return (mark-up) on projects, as well as changes to direct costs, and an introduction of a formal percentage reinvestment to the business. **Incremental** - None. The review is being conducted within existing resources.		

Drainage Services - Design & Construction ($000)

	2008 Actual	2009 Budget	Revenue & Cost Impacts*	Service & Delivery Changes	Growth	2010 Budget	% Change '09-'10	2011 Forecast
Revenue & Transfers								
Drainage Services	121,286	113,883	-	(2,846)	-	111,037	(2.5)	80,402
Other City of Edmonton Projects	4,925	7,377	-	6,590	-	13,967	89.3	28,354
External Projects	4,594	6,626	-	(1,058)	-	5,568	(16.0)	11,136
Transfer from Reserves	-	-	-	-	-	-	-	-
Total Revenue & Transfers	130,805	127,886	-	2,686	-	130,572	2.1	119,892
Expenditure & Transfers								
Personnel Costs	23,699	24,765	1 ,167	1,663	-	27,595	11.4	30,227
Materials, Goods & Supplies	25,715	24,973	499	-	-	25,472	2.0	23,409
External Services	64,647	64,142	-	(8,694)	-	55,448	(13.6)	45,091
Fleet Services	2,241	2,342	47	-	-	2,389	2.0	2,195
Intra-municipal Services	8,091	8,055	161	-	-	8,216	2.0	7,550
Utilities	666	716	14	-	-	730	2.0	671
Depreciation	1,014	312	195	-	-	507	62.5	508
Other Charges	653	683	13	-	-	696	1.9	640
Transfer to the Sanitary Utility	4,079	1,898	-	(398)	-	1,500	(21.0)	750
Transfer to Equipment Reserve	-	-	-	3,807	-	3,807	100.0	3,840
Subtotal	130,805	127,886	2 ,096	(3,622)	-	126,360	(1.2)	114,881
Intra-municipal Recoveries	-	-	-	-	-	-	-	-
Total Expenditure & Transfers	130,805	127,886	2 ,096	(3,622)	-	126,360	(1.2)	114,881
Net Operating Requirement	**-**	**-**	**2,096**	**(6,308)**	**-**	**(4,212)**	**100.0**	**(5,011)**
Full-time Equivalents	243.0	296.0	-	24.0	-	320.0		342.0

* *Cost Impacts include: inflation on personnel and non-personnel costs, annualization, adjustments based on current performance. Revenue increases are due to rate and volume changes.*

KEY CONSIDERATION

In order to ensure the sustainability of Design & Construction, the net income should be retained in D&C until the review of the financial policies involving the dividend payment is completed.

Budget Changes for 2010 ($000)

Revenue Changes

$ 2,686	Volume and rate changes
$ 2,686	Total volume and rate changes

Cost Changes

$ 1,167	Inflation - personnel
929	Inflation - non-personnel
$ 2,096	Total cost changes

Service & Budget Review

1,663	Bring certain external contracts in-house
(8,694)	Reduced external contracts requirement by performing the work in-house
(398)	Reduced transfer to the Sanitary Utility as per July 2009 Council Report
3,807	Transfer to Equipment Reserve
$(3,622)	Total Service & Budget Reivew

Impact on Full-Time Equivalents

24.0	Additional staff required to bring services in-house

Explanatory Notes:

The Proposed 2010 Budget contains a return in the level of combined activities to what was achieved in 2008. The projected 2010 revenues of $130.6 million is based upon maximizing current work force and equipment capacity.

Total revenue from D&C's two main activities is comprised of the following types of activities:

	$(000)		
	2008	2009	2010
Open Cut	58,613	53,218	56,156
Trenchless Tunneling	72,192	74,668	74,416
Total Revenues	130,805	127,886	130,572

In 2008, $1.7 million was spent in the hiring of temporary staff. A sustainable work volume of roughly $120 million would support bringing certain types of contract work in-house and increasing construction staff by 24.0 FTE. This operational adjustment would lead to a reduction in cost and the reliance on external services.

The Proposed 2010 Budget includes a $3.8 million transfer to Equipment Reserve for renewal and replacement of equipment needed for D&C. During 2010, work will be undertaken to quantify the amount required for equipment renewal and replacement in the future.

Also included in the Proposed 2010 Budget is a transfer of $1.5 million to the Sanitary Utility. The July report from HDR Engineering Inc. recommended the financial segregation of this non-regulated service from the Sanitary Utility from a rate determination perspective. While the 2009 Budget contains a transfer of $1.9 million, the forecasted year end result will be closer to $4 million. The proposed transfer of $1.5 million provides a mechanism by which the elimination of the transfer of D&C net revenue to the Sanitary Utility can take place over a 2-year period.

EPCOR

2010 Budget

Gold Bar Wastewater Treatment Plant

EPCOR Water Services Inc.

2010 Budget

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1. Introduction

On April 1, 2009, EPCOR Water Services Inc. (EPCOR) assumed the operations, assets and liabilities of the Gold Bar Wastewater Treatment Plant (Gold Bar or GBWWTP) from the City of Edmonton (the City). Gold Bar provides sanitary and combined sewer wastewater treatment services to the residents of the City of Edmonton and provides treated wastewater to City facilities and Petro Canada. EPCOR is owned 100% by the City of Edmonton.

EPCOR's ability to utilize expertise from owning and operating a treatment plant the size and sophistication of Gold Bar offers significant potential future growth opportunities in wastewater treatment across Canada and select markets in the United States. This is expected to result in a stronger and more diversified wastewater business for EPCOR and the potential to pay an increased dividend to the City. The amount of these dividends is dependent upon the rates of return and net income that EPCOR is able to earn.

Gold Bar was transferred to EPCOR pursuant to the terms of a Master Agreement. The agreement contains provisions to address ongoing operations and to allocate the drainage fees charged to City residents and businesses to both EPCOR for wastewater treatment, and the City of Edmonton's Drainage Services department for collection and transmission of wastewater to the plant. EPCOR's return on equity and net income are influenced by the prescribed revenue allocation and the ability of Drainage Services to obtain approval for rate increases from its regulator, Edmonton City Council (City Council), that provide for the recovery of expenditures and the earning of a fair return on equity. If approved, the 8% rate increase being proposed by Drainage Services for 2010 is projected to result in a return on equity of 5.96% for EPCOR and an overall return of 5.95% for the Drainage utility. The Alberta Utilities Commission currently allows a return on equity of 8.75% to investor owned utilities.

EPCOR plans to build on Gold Bar's reputation as a leading wastewater facility in Canada in 2009 and 2010. EPCOR's plans include increasing phosphorus recovery and biogas utilization, reducing nitrogen and phosphorus discharges to the North Saskatchewan River and working with Drainage Services to address challenges related to the reduction of biosolids at the Clover Bar Lagoons. Staff will continue with efforts to further reduce loading to the North Saskatchewan River from combined sewer flows through the commencement of chemical treatment capacity of the newly constructed Enhanced Primary Treatment (EPT) facility to achieve full wet weather treatment capacity in 2011. Operating expenses associated with EPT impact the 2010 budget thereby offsetting the benefits of cost containment and operating efficiency initiatives.

EPCOR has reviewed all capital projects underway and the timing of related capital expenditures to identify opportunities to reduce overall project costs, while renewing existing infrastructure as appropriate to maintain plant reliability. This review has identified a need to accelerate project expenditures for two new sludge digesters currently under construction. The accelerated timing of expenditures in 2009 and 2010 has been offset by deferrals of other projects to future years to limit capital expenditures and impacts on rates in the near future.

One of the most critical activities that EPCOR will undertake in 2010 is the development of the Biosolids Management Strategy in conjunction with the City of Edmonton's Drainage Services (Drainage Planning) and Waste Management Branches and the Alberta Capital Region Wastewater Commission to address the biosolids inventory at Clover Bar. EPCOR has access to biosolids management expertise through its joint venture partners external to the Gold Bar

operations. Coupling external biosolids expertise with EPCOR's expertise will allow EPCOR to lead the Development of a Biosolids Capital Program aligned with the Biosolids Management Strategy to increase biosolids processing and distribution capacity and to reduce the Clover Bar biosolids inventory for the City of Edmonton.

The transfer of the Gold Bar Wastewater Treatment Plant to EPCOR has also positioned EPCOR to develop the reclaimed water market in the Edmonton region and beyond. Reclaimed water expertise is critical to both local and external projects that EPCOR is currently pursuing. Reclaimed water expertise developed by EPCOR, locally through the Alberta Industrial Heartland Water Management Framework and externally through the projects outside of the Edmonton Capital Region, is positioning EPCOR to be a strong proponent of reclaimed water supply.

The transfer of the Gold Bar Wastewater Treatment Plant has strengthened EPCOR's position in the marketplace and will be instrumental to success in growing its commercial wastewater treatment business. EPCOR is focused on maintaining and enhancing Goldbar's existing infrastructure and protecting our environment for future generations.

2. Vision, Mission, Values and Goals

Vision
To be at the forefront of responsible environmental stewardship through the recovery of natural resources from municipal wastewater.

Mission
To provide cost effective treatment of wastewater and combined sewer overflows to produce high quality effluent, reclaimed water, beneficial biosolids and alternative energy sources for the protection of public health and the environment including the North Saskatchewan River.

Identity
We are a progressive, innovative team that works together to achieve excellence.

Core Values

People

Safety – highest priority

Teamwork – achieving common goals together

Appreciation – effort, experience, expertise

Respect – recognizing diverse perspectives

Training – active learning, focused training

Results

Efficiency – using resources effectively.

Quality – meeting or exceeding requirements.

EPCOR Corporate Goals

Growth

- Increase Shareholder Value

People

- Attract, retain & develop people

Environment

- Operate in a responsible, sustainable manner

Operational Excellence

- Improve operational efficiency through process redesign

Gold Bar Wastewater Treatment Plant Goals

Regulatory

- Ensure compliance with all regulatory requirements

Customer

- Support City of Edmonton "Zero Discharge City" Vision
- Build capacity to satisfy emerging markets

Financial

- Efficiently manage operating and capital budgets.

Processes

- Optimize efficiency through asset management and excellent processes
- Expand internal expertise to manage risk and reduce reliance on consultants

People

- Provide proper staffing via retention, recruitment, training

Culture

- Develop a culture focused on safety, learning, recognition, open communications

3. 2010 Program Objectives

2010 Wastewater Treatment Program Objectives
• Biological Nutrient Removal to ensure discharge compliance with Alberta Environment's Approval to Operate • Membrane Treatment Facility operation to direct Reclaimed Water to industry in support of the City of Edmonton's Zero Discharge Vision • Development of the Biosolids Management Strategy in conjunction with the City of Edmonton's Drainage Services (Drainage Planning) and Waste Management Branches and the Alberta Capital Region Wastewater Commission to address the biosolids inventory at Clover Bar • Enhanced Primary Treatment Facility operation in support of Combined Sewer Overflow Long Term Control Plan objectives • Digester 7 & 8 Construction in support of Enhanced Primary Treatment (solids handling capacity) • Major Maintenance Work Program focused on Clarifier Flight and Chain Replacement and Digester Cleaning and Servicing • Process Optimization of Liquid Stream processes • Work Planning Optimization and Integration with Rossdale and E.L. Smith Water Treatment Plants

4. Budget Statement of Earnings

EPCOR Water Services Inc. - Gold Bar Wastewater Plant
For the Year Ending December 31
(in $000's)

	2010 Budget	2010 Projected [1]	2010 Budget vs Projected
Sales			
Gold Bar share of rate revenue	52,846	59,324	(6,478)
Surcharge revenue	3,498	3,614	(116)
Other income	3,437	2,176	1,261
	59,781	65,114	(5,333)
Operating Expenses			
Operations, maintenance and administration	29,711	32,816	3,105
Franchise fees	4,208	5,035	827
Property taxes	300	-	(300)
	34,219	37,851	3,632
Earnings Before Interest, Depreciation, Amortization and Corporate Allocations	$ 25,562	$ 27,263	$ (1,701)
Depreciation and amortizaton	7,268	7,754	486
Corporate allocations	4,500	2,257	(2,243)
Operating Income Before Financing Expenses	13,794	17,252	(3,458)
Financing expenses	7,342	7,133	(209)
Net Income	**$ 6,452**	**$ 10,119**	**$ (3,667)**
Return on Equity	**5.96%**	**8.87%**	

[1] 2010 Projected income presented to City Council in January 2009

5. Comparison of 2010 Budget to Gold Bar Transfer Targets

	2009		2010		2011	
	Projected	Forecast	Projected	Budget	Projected	Forecast
Net Income	$ 7,708	$ 4,354	$ 10,119	$ 6,452	$ 10,298	$ 6,813
Transfer Fee	$ 16,500	$16,500 [1]	$ 15,250	$ 15,250	$ 14,500	$ 14,500
Dividend	$ 0	$ 0	$ 4,625	$ 2,612	$ 6,074	$ 3,871

[1] Paid March 31, 2009

The comparison between the Projected amounts presented to City Council in January 2009 and current Forecast / budgeted amounts for 2009 reflect a number of adjustments that were made to the financial models prior to the actual transfer of the wastewater treatment plant during the negotiation process. The differences between the 2009 projected and forecast amounts primarily reflect nine months of operations rather than twelve, the financial impacts related to decisions made to leave biosolids costs with Drainage Services, the capturing of financial efficiencies and cost reductions through the transfer to EPCOR, and increased corporate allocations within EPCOR. Other than the shorter operating period in 2009, the 2010 differences are also driven by these differences as well as increases in projected expenditures due to higher than projected inflation and increases in corporate overheads. Although the forecasted amounts are lower, the combination of transfer fees and dividends should continue to provide the City with cash flows of at least $16.5 million per year.

A key driver for the transfer of the Gold Bar Wastewater Treatment Plant to EPCOR was the potential to increase dividends from net income arising from the development of the Wastewater Treatment business outside of Edmonton. With the creation of Capital Power Corporation and the resulting increase in capital to fund the growth of EPCOR's wastewater business outside of Edmonton, EPCOR is actively pursuing three major Public/Private Partnership opportunities – two in Canada and one in the United States. Gold Bar staff and the expertise developed from operating and upgrading a major wastewater treatment plant like Gold Bar enables EPCOR Water Services to actively pursue these business opportunities. Two of the three partnerships will be awarded by the end of 2009 and EPCOR is currently on the active proponent lists for both partnerships.

6. Capital Budget

REGULATED CAPITAL EXPENDITURES

PROJECT NAME	APPROVED 2009	FORECAST 2009	Variance 2009	PROJECTED FUTURE 2009 Carry-forwards to 2010 [1]	2010	2011	2012	*PROJECT TOTAL 2009-2012*
SLUDGE FERMENTER PHASE 2	1,319	1,778	(459)	-	-	-	-	***1,778***
SLUDGE FERMENTER ODOUR CONTROL	1,152	451	701	-	-	-	-	***451***
LAGOON SUPERNATANT TREATMENT	-	-	-	-	1,500	5,162	315	***6,977***
BIOGAS UTILIZATION	-	-	-	-	-	-	310	***310***
TWINNING OF SLUDGE LINE TO CBL	4,736	4,741	(5)	-	-	-	1,926	***6,667***
DISINFECTED FILTERED EFFLUENT UTILIZATION	-	-	-	-	-	-	103	***103***
BOILERS/HOT WATER SYSTEM REPLACEMENT	1,900	800	1,100	1,100	2,674	1,160	-	***5,734***
DIGESTERS 1 - 5 UPGRADES	150	150	-	-	-	-	-	***150***
DIGESTER UPGRADES	-	-	-	-	-	-	559	***559***
GRIT TANKS 4 & 5 AND SCREENS UPGRADE	1,448	225	1,223	-	700	5,019	2,657	***8,601***
SCUM AND PRIMARY SLUDGE SCREENING / DEWATER	-	-	-	-	-	-	882	***882***
DIGESTER # 8	4,000	9,652	(5,652)	165	9,600	250	-	***19,667***
DIGESTER # 7	10,000	9,211	789	1,069	9,538	250	-	***20,068***
STRUVITE TREATMENT	68	68	-	-	-	-	-	***68***
BIOSOLIDS UPGRADING	1,000	600	400	400	1,000	1,000	-	***3,000***
PRIMARIES 11 & 12	946	923	23	-	-	-	-	***923***
WWTP REHABILITATION	1,901	1,839	62	-	2,439	2,978	6,000	***13,256***
WWTP ELECTRICAL REHABILITATION	750	804	(54)	-	650	600	601	***2,655***
FLIGHT AND CHAIN REPLACEMENT (ANNUAL)	658	691	(33)	-	694	-	-	***1,385***
PLANT EMERGENCY SYSTEMS AND SECURITY UPGRA	500	404	96	96	-	-	425	***925***
LAB BUILDING MECHANICAL UPGRADES	100	100	-	-	500	-	-	***600***
OVERALL SITE RESTORATION	-	-	-	-	-	-	228	***228***
CENTER POINT ENTRANCE/NEW MTCE & STORES BLD	-	-	-	-	-	603	3,975	***4,578***
MAINTENANCE AND EQUIPMENT BUILDING CBL	-	-	-	-	137	306	2,077	***2,520***
			-					
SUB-TOTAL BEFORE IT TRANSITION PROJECTS	***30,628***	***32,437***	***(1,809)***	***2,830***	***29,432***	***17,328***	***20,058***	***102,085***
GOLD BAR IT TRANSITION - Phase 1 & 2	-	656	(656)	-	-	-	-	***656***
GOLD BAR IT TRANSITION - Phase 3	-	643	(643)	-	-	-	-	***643***
TOTAL REGULATED CAPITAL BUDGET	***30,628***	***33,736***	***(3,108)***	***2,830***	***29,432***	***17,328***	***20,058***	***103,384***
2010 Regulated Capital Expenditures, including carryovers				***32,262***				

NON-REGULATED CAPITAL EXPENDITURES

MEMBRANE FILTRATION	681	43	638	638	604	-	-	***1,285***
TOTAL CAPITAL BUDGET	***31,309***	***33,779***	***(2,470)***	***3,468***	***30,036***	***17,328***	***20,058***	***104,669***
2010 Regulated & Non-Regulated Capital Expenditures, including carryovers				***33,504***				

[1] includes interest during construction of $165 for each of the Digester 7 and 8 projects.

7. Employee Count Continuity Schedule

EPCOR Water Services

Employee Count (Positions)

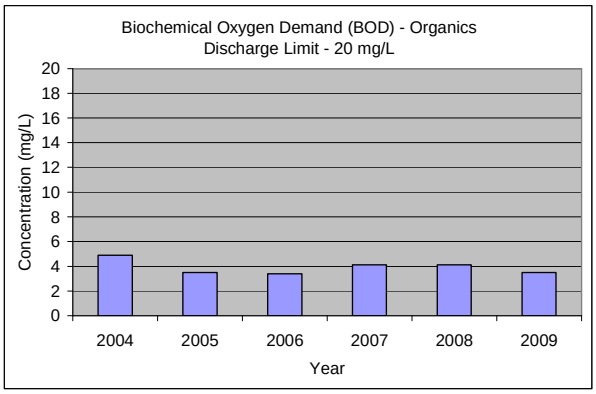
2010 Budget - Gold Bar

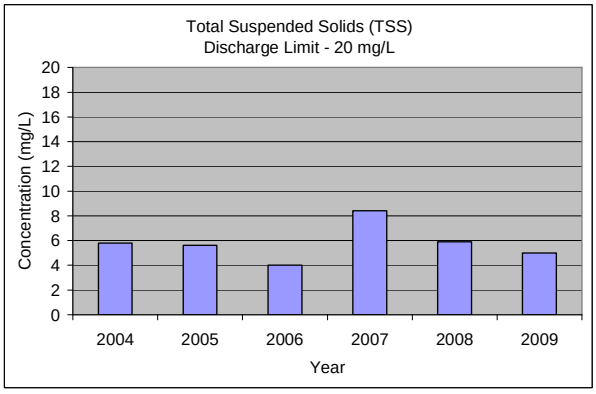
		1	2	3	4	5	6= 3+4+5	7=1+2+6
		Permanent		Temporary/Seasonal				
		Full-Time	Part-Time	Full-Time	Part-Time	Casual	Subtotal	TOTAL
2009 Approved Budget Positions		**141**	**1**	**14**	**-**	**-**	**14**	**156**
Actual Counts at Pay Period June 6, 2009	**A**	115	1	33	2	-	35	151
Vacancies to be filled by end of 2009	**B**	14	-		-	-	-	14
Additions, remainder of 2009	**C**	-	-		-	-	-	-
(Deletions), remainder of 2009	**D**		-	(8)	(2)	-	(10)	(10)
Projected, end of year 2009	**A+B+C+D = E**	129	1	25	-	-	25	155
Additions 2010	**F**	1	-	-	-	-	-	1
(Deletions), 2010	**G**	-	-	-	-	-	-	-
Budget, end of year 2010	**E+F+G**	130	1	25	-	-	25	156

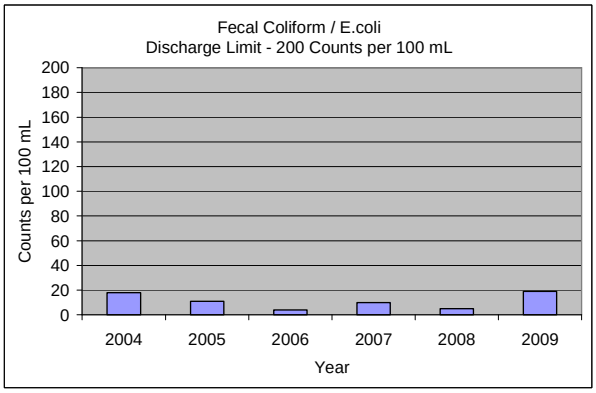
At the time of transfer, 142 permanent positions were transferred to EPCOR for the operation and maintenance of the Gold Bar Wastewater Treatment Plant, including shared services positions for safety, accounting, stores and custodial services. Prior to the transfer, a number of positions were vacant due to strong economic growth in the region leading to high turnover of staff and recruitment challenges. With the ongoing development of the major maintenance work program to maintain the Gold Bar assets, EPCOR undertook to rationalize the complement of temporary workers being used to complete the seasonal maintenance. During the development of the 2010 budget, the employee counts were re-balanced to more accurately reflect the seasonal nature of the work and to ensure that all employee positions existing on the date of transfer were maintained. Vacant permanent positions were examined for synergy with existing EPCOR corporate services and realigned accordingly. With the economic slow-down, vacant positions are being filled more easily in 2009 and a full staff complement is anticipated by the end of 2009 and into 2010.

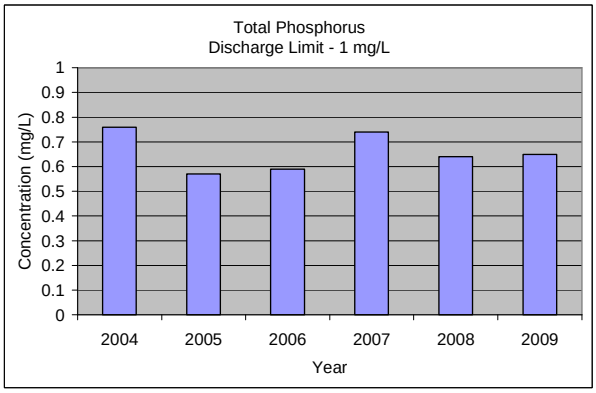
8. Performance Measures

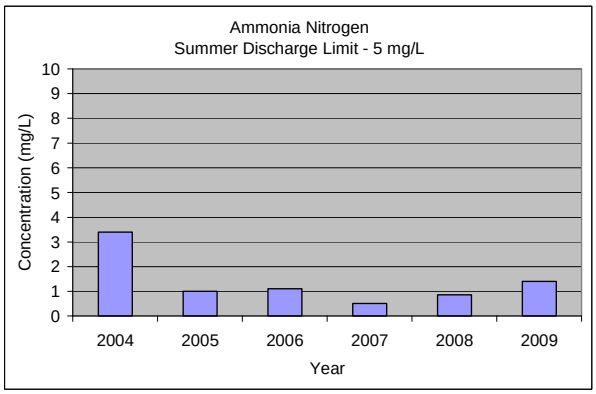
GBWWTP Annual Average Performance

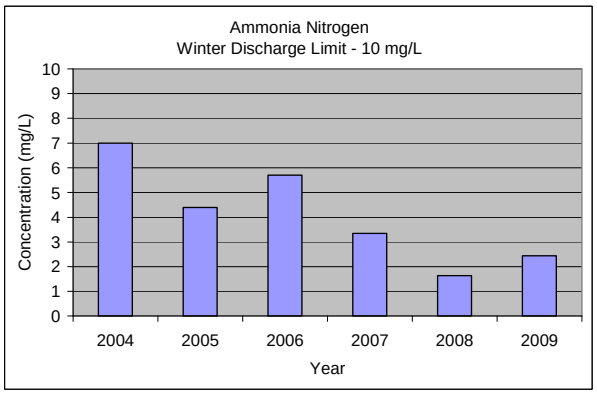












Current Overall discharge performance for 2009 is running equal or better than 2008 for 2 of 6 parameters. EPCOR has maintained compliance with the Alberta Environment Approval to Operate discharge parameters since assuming operation April 1, 2009.

9. Sensitivity and Scenario Analysis

The following table identifies potential sensitivities which could impact 2010 budgeted net income.

Scenario	Potential $ Costs (Savings)	Likelihood	Mitigation Measure
Capital Project Overruns o Digester 7&8 - $20 M Capital Cost	<$1,000 K	Low	• Project Management Procedures • EPCOR Major Project Oversight
Increased chemical costs due to price increases from suppliers	<$250 K	Low	• Long Term Supply Contract
Catastrophic failure of major equipment	<$250 K	Low	• Maintenance o Preventive o Predictive
Process Upset – Environmental Incident	<$1,000 K	Very Low	• Operator Training • Process Engineering • Process Monitoring
Breach of Contract – Reclaimed Water Supply	<$4,000 K	Very Low	• Contract Assignment with clearer terms and conditions to reduce liability
Decreased Water Sales – Cool Weather	<$ 500 K	Possible	• N/A
Increased Water Sales – Warm Weather	(<$ 500 K)	Possible	• N/A