



CITY OF EDMONTON

# WASTE SERVICES

2017 ANNUAL REPORT

Edmonton

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## MESSAGE FROM THE MANAGER

Last year was a challenging and rewarding year. We did a lot of great work identifying issues, implementing solutions and recognizing changes need to be made to meet our diversion goals and strengthen our branch operations.

Last year was a challenging and rewarding year. We did a lot of great work identifying issues, implementing solutions and recognizing changes need to be made to meet our diversion goals and strengthen our branch operations.

We strive for a healthy community that is well served, and we recognize that citizen engagement and participation is essential to our success. Our waste system continuously earns high-satisfaction levels because of our active presence in our communities and our ongoing citizen engagement. In 2017, we were busy promoting our Go Bagless campaign where we educated residents on the benefits of leaving grass clippings on their lawns. We also continued to promote our new WasteWise app, which helps residents learn if specific waste items should be placed in the garbage, recycled or taken to an Eco Station.

In addition to our passion for serving the community, we are equally passionate about our most valuable resource: our employees. Waste Services strives for organizational excellence and always has safety at the forefront. We continue to make our workplace safer. In 2017, we had a third-party contractor conduct a safety-perception survey and review. Based on those results, we created a Safety Culture Task Force, which is leading us in creating and executing action plans that came out of the safety review. In addition, we have an active Employee Engagement Working Group that is working together to implement action plans stemming from our last Employee Engagement and Diversity Survey.

Equally important, we strive for fiscal sustainability by keeping rate increases low, stable and consistent. Edmontonians pay for and receive a high level of service, and there is an expectation that even more can be done to deliver cost-effective services to citizens. In 2017, we worked with our corporate partners to improve our business. With Integrated Infrastructure Services, we improved our capital asset management program, and with Financial and Corporate Services, we aligned our procurement and contract management program to the corporate standards. We also worked closely with Business Performance and Customer Experience to measure our performance and start to build a robust performance measurement system for the branch. As a result of this extensive collaboration, we identified savings and were able to reduce the previously planned rate increase. Looking forward, we will strive to maintain stable rates.

In the summer of 2017, we conducted an environmental scan and benchmarking search to identify best practices in waste management in 23 Canadian municipalities. This research helped us understand the types of programs and strategies that impact diversion rates. The findings of this study formed the basis of our 2018 Waste Services Strategy Update.

Lastly, we continue to look for organizational effectiveness. We streamlined two supporting sections – Business Integration and Technical Services – to provide centralized support to the two key operational sections: Collection Services and Sustainable Waste

Processing. These two new sections administer services such as business and strategic planning, business performance management, engineering analysis, process optimization, asset management, capital and operational program management, as well as risk and environmental liability management for the branch.

I am confident that through our commitment to safety, efficiency and effectiveness, our dedicated team will adjust and deliver programs which meet Edmontonians' high expectations.



A black ink handwritten signature of Michael Labrecque, featuring a stylized 'M' and 'L' followed by a horizontal line.

**Michael Labrecque**  
Branch Manager, Waste Services





## STRATEGIC FRAMEWORK

# Providing high-quality waste services to Edmonton

### WASTE SERVICES VISION

**To be a customer-driven world leader in sustainable and innovative waste management.**

Waste Services builds partnerships that contribute to delivering services that are cost effective, environmentally sustainable and customer focused. As leaders in providing waste management solutions, Waste Services will be environmental champions and globally recognized as innovative leaders in waste management.

### WASTE SERVICES MISSION

**To provide waste management services for the city of Edmonton taking into consideration the needs of residents, the preservation of natural resources, the protection of the environment and the financial capabilities of the City.**

Waste Services is committed to reducing its environmental footprint through using the best economically and financially available means to manage waste and engage citizens to reduce waste through community outreach. Waste Services provides responsive services by collecting and processing residential and non-residential waste to recover resources and increase landfill diversion rates. These operations are aided by internal and external support services.

*"I am truly a proud citizen and gracious for the great work your staff do, regardless of the adverse conditions they face throughout the year. Kudos to them!"*

**– Customer feedback**

### WASTE SERVICES VALUES

#### ENVIRONMENTAL STEWARDSHIP & PUBLIC HEALTH

Waste Services will continue to focus on reaching the highest environmental performance and public health and safety standards. We meet or exceed municipal, provincial and federal requirements for stewardship of the environment, public health and public safety.

#### SUSTAINABILITY

Waste Services plays an important role in the long-term sustainability of our city. We adopt integrated sustainable practices that benefit citizens and the environment; we repair, replace and build new facilities to achieve sustainable urban development goals; and we enable affordable utility rates for the people of Edmonton over the long term.

#### EXCELLENT SERVICE

Waste Services achieves excellence in customer service. We are innovative in finding ways to deliver services that are both efficient and effective. We provide access to our leading edge facilities while staying current with emerging technologies and best practices to provide valued service to customers, partners and other stakeholders.

#### ENGAGED AND INSPIRED EMPLOYEES

Waste Services is proud of the expertise of its team. Our work environment is innovative, positive, team-oriented and safe. We perform our jobs with integrity and transparency.

#### COLLABORATION

Waste Services recognizes the increasing cross-jurisdictional and cross-functional nature of environmental, asset management and financial challenges, and the need for collaborative processes to find solutions. We work collaboratively within the branches and with others in the Department, the City, our regional partners, other orders of government, other municipalities and related organizations to achieve common goals, efficient use of resources and innovative solutions to challenges.



## ORGANIZATIONAL STRUCTURE

# Striving for organizational excellence

Waste Services is committed to sustainable waste solutions with systems that divert waste from landfill and treat waste as a resource. Waste Services helps to promote City Council's overall vision, strategic goals and plans to Preserve and Sustain Edmonton's Environment, Improve Edmonton's Livability and Diversify Edmonton's Economy

through four different sections. Two of these sections, Waste Collection Services and Sustainable Waste Processing, provide operating functions of waste collection, processing and recycling. The remaining two, Business Integration and Technical Services, provide business and technical support to the branch.





## Waste Facts

**20**  
sites  
& facilities



recycling  
depots

**4**



**1** Reuse Centre

**12**  
Big Bin events



serving  
**11,300**  
users

**300**  
vehicles &  
mobile equipment



collecting from  
**390,000**  
single & multi-  
family homes

Diverting  
**82,000**  
tonnes of non  
residential  
waste and








**44%**  
of residential  
waste from landfill

The above figure depicts the collection and diversion services offered by Waste Services for collection of waste and its diversion from landfill. The total numbers reflect the information as of December 31, 2017

## STRATEGIC DIRECTION

# The following is a summary of Waste Services performance measures

BRANCH STRATEGIC DIRECTION	PERFORMANCE MEASURES	ACTUALS			TARGETS		CORPORATE GOALS
		2015	2016	2017	2017	2018	
GOAL: EDMONTON IS ATTRACTIVE AND COMPACT							
Waste Services responds to Council's vision and our community's changing needs through active engagement and collaboration. We provide a high level of customer satisfaction by delivering timely, seamless and uninterrupted service.	Number of users of Eco Stations and Big Bin Events	287,989	298,496	305,442	305,000	310,000	  
	Number of missed collection stops per 10,000	2	2	2	4	2	
	Percentage of customers satisfied with waste collection services	89.0%	90.0%	90.0%	90.5%	90.5%	
	Percentage of households recycling (blue bag program)	93.0%	91.0%	90.0%	91.5%	92.0%	
GOAL: ENVIRONMENTAL STEWARDSHIP							
Waste Services is committed to preserving and protecting our environment and biodiversity through continuous improvement, regulatory compliance and pollution prevention.	Compliance with environmental permits and regulations	100%	100%	100%	100%	100%	 
	Percentage diversion of residential waste from landfill	52%	52%	44% <sup>1</sup>	55%	65% <sup>2</sup>	
	Cost per tonne of material processed at the Edmonton Waste Management Centre	\$99	\$95	\$127 <sup>3</sup>	\$96	\$98	
	Tonnes of non-residential waste diverted from landfill	64,962	55,000	82,000	65,000	70,000	

## CORPORATE GOALS LEGEND



Improve Edmonton's  
Livability



Preserve & Sustain  
Edmonton's Environment



Ensure Edmonton's  
Financial Sustainability



Diversify  
Edmonton's Economy

BRANCH STRATEGIC DIRECTION	PERFORMANCE MEASURES	ACTUALS			TARGETS		CORPORATE GOALS
		2015	2016	2017	2017	2018	
GOAL: ORGANIZATIONAL EFFECTIVENESS							
Waste Services fosters a culture of innovation and a strong sense of purpose through a commitment to people and optimizing systems and resources.	Cost per tonne for curbside collection of refuse and recyclables	\$143.0	\$142.0	\$148.5	\$148.0	\$151.0	 
GOAL: FISCAL SUSTAINABILITY							
Waste Services strives for rates that are fair, equitable and value-driven.	Annual Net Income	\$2.75M	\$10.5M	(\$1.5M) <sup>4</sup>	\$5.04M	\$19.4M	
	Percentage Rate Increase	9.0%	5.7%	4.4%	4.4%	2.3%	
	Debt to Net Asset Ratio	82.5%	80.9%	84.3%	78.8%	73.3%	
	Cash Position	\$14.9M	\$21.7M	\$50.8M <sup>5</sup>	\$16.9M	\$17.3M	
GOAL: ORGANIZATIONAL EXCELLENCE							
Waste Services fosters a culture of innovation and a strong sense of purpose, through a commitment to people, and by optimizing systems and resources.	Employee Engagement Survey Score	n/a	68%	n/a	n/a	70% <sup>6</sup>	 
	Turnover per 100 FTEs (permanent employees only excluding retirement)	6.0	3.4	4.8	6.0	3.5	
	Lost Time Injury Frequency Rate	4.19	3.84	5.68 <sup>7</sup>	4.00	3.25	

<sup>1</sup> Decrease in the percentage of diversion of residential waste from landfill is due to the shutdown of the Edmonton Compost Facility that resulted in increased material sent to the landfill.

<sup>2</sup> Waste Services will be unable to achieve at the target of 65 percent diversion of residential waste from landfill due to the shutdown of the Edmonton Compost Facility. Waste Services is expected to divert 55 percent of residential waste from landfill in 2018.

<sup>3</sup> Increase in the cost per tonne of material processed at the EWMC primarily due to the ECF write down, the increase in Post Closure Liability for Clover Bar Landfill and the Site 440 Equipment Impairment.

<sup>4</sup> Waste Services finished with a \$1.5M loss in 2017 primarily due to the ECF write down, the increase in Post Closure Liability for Clover Bar Landfill and the Site 440 Equipment Impairment. Net income excludes operating expenses (amortization) related to contributed assets as they are not funded by the utility (rates) and capital grants received.

<sup>5</sup> Details about the cash position are outlined in the Financial Summary.

<sup>6</sup> Employee Engagement and Diversity Survey is conducted biannually and results for the score for 2016 are combined for both Drainage and Waste Services. These values will change in 2018. This result represents Waste Services participation score.

<sup>7</sup> In 2017, Waste Services standardized incident reporting using common software. This standardization resulted in increased incident reporting driving up the Lost Time Injury Frequency Rate statistics.



## 2017 HIGHLIGHTS

# A year in review

### FOCUS ON SAFETY

Throughout 2017, Waste Services focused on creating a safer work environment for its staff and customers. The process began early in the year with safety training and workshops dedicated to addressing the findings of a third-party safety process review of the Edmonton Waste Management Centre (EWMC). As a result, the Safety Culture Task Force (SCTF) and a safety engagement lead position were created to improve the branch's safety culture. In particular, the safety engagement lead is dedicated to creating an engaged safety team that is integrated into all operational areas of Waste Services. The first major cultural shift resulting from these changes encourages staff to report near misses more frequently. Reporting near misses is important in driving safety culture, and conducting a corresponding root cause analysis helps to prevent future safety incidents from occurring. Our safety culture is improving dramatically as near miss reporting has increased 38 percent in 2017.

Additionally, Waste Services participates in the corporate-wide Safety and Environment Training Compliance project. Since November 2017, branches with safety sensitive positions have met regularly to share information and collaboratively develop programs to ensure City staff are compliant with occupational health and safety (OH&S) requirements.

Waste Services continues to work with (OH&S) to investigate and implement strategies to reduce incident severity rates in 2018. Operational auditing tools are currently being developed for front-line supervisory staff and workforce. With focus on the formal hazard

assessments, front-line, field-level hazard assessments and procedures will help reduce safety risk in facilities and projects. To advance this priority, ongoing additional training, coaching and mentoring programs will be implemented for front-line supervisory staff and workforce teams. Waste Services will continue to focus on leading and lagging safety performance indicators and learn from incidents and near misses in order to achieve incident-free operations.

### WASTE PREVENTION & PUBLIC OUTREACH INITIATIVES

A successful Waste Strategy includes more than just recycling. Waste prevention initiatives reduce the amount of waste being generated and prevent it from entering the municipal system, making a positive contribution to the branch diversion goals.

Preventing the generation of waste is everyone's responsibility, and Waste Services works closely with residents to reduce waste through public outreach initiatives. A public perception survey conducted in 2017 showed that the majority of Edmontonians want to hear more about Waste Services' diversion strategies and programs. Of those surveyed, 72 percent were willing to do more at home to help reach the 90 percent diversion target. In addition, approximately 90 percent of Edmontonians surveyed are satisfied with the garbage and recycling collection services and 68 percent agreed that these services provide good value for money.

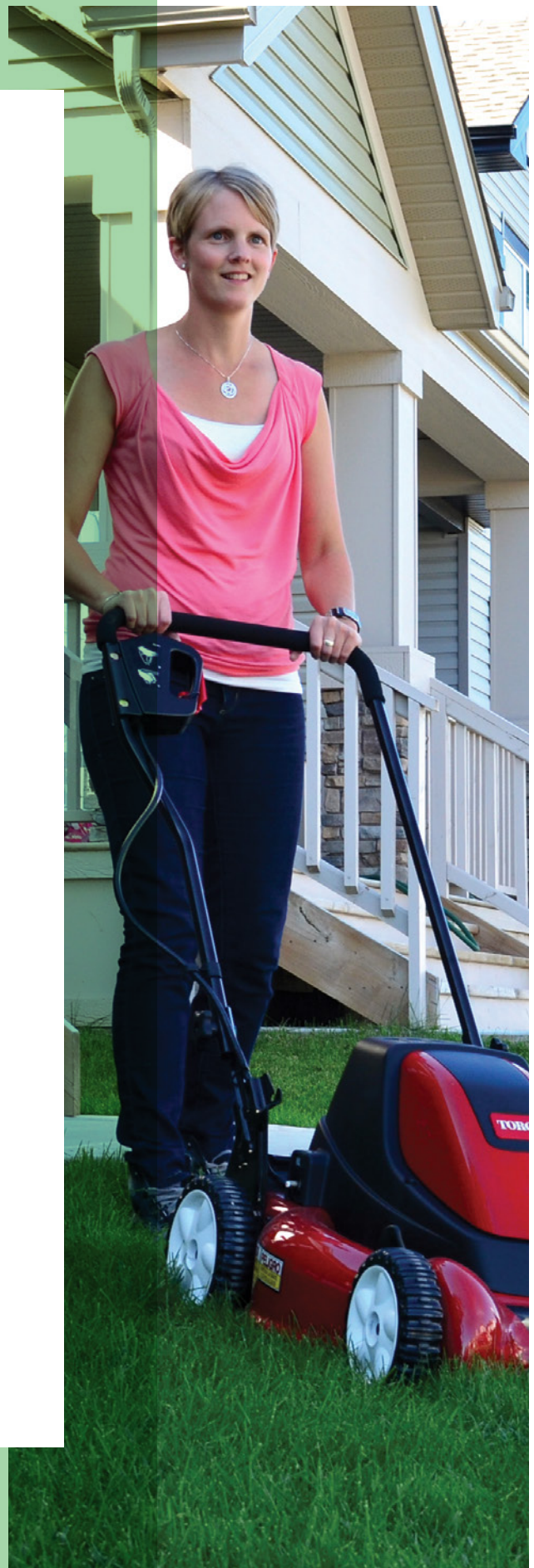
## WASTE PREVENTION INITIATIVES

Grass clippings make up almost half of all waste collected in the summer, and Waste Services' Go Bagless campaign uses social marketing to change the way Edmontonians think about grasscycling. The Program saw over half of Edmonton residents participating in 2017. To achieve this success, staff researched participation barriers and employed various behaviour change tools such as educating residents and gaining commitments. A perception study conducted in 2017 found that 49 percent of residents grasscycle while 24 percent set the bag out for collection and 5 percent use it for composting. The remaining 22 percent use a combination of grasscycling, curbside collection and composting to deal with their grass clippings.

Master Composter Recycler is a learn-and-serve-style program that offers classroom training to volunteers who in turn reach out to their own communities to help Edmontonians adopt habits to reduce waste. A total of 870 volunteers have been trained to date, and in 2017, the program had 37 new graduates. In total, 181 Master Composter Recyclers volunteered 2,560 hours. As community leaders in waste reduction, they reached 36,647 people by engaging in personal conversations and social media, assisting at events, teaching others to compost and delivering presentations.

Waste Services' Wasteless Holidays campaign helps educate residents on how and why they should reduce waste generated during the holiday season. It encourages them to give experiences as gifts and reuse as much as possible. It also reminded Edmontonians to place their waste in the proper stream to avoid contamination and ensure the EWMC was processing holiday waste effectively.

The Large Volume Set Out program uses a social-marketing approach to reach the small percentage of residents who produce large volumes of waste. This program aims to convince them to change their behaviour voluntarily and obtain commitments without the use of enforcement. The team's innovative scripting and motivational techniques led to a positive response in the first year of the program, resulting in an average of 88 percent of participants committing to change. Follow-up observation studies found that 73 percent set out less waste after they made the commitment.





## PUBLIC OUTREACH INITIATIVES

Waste Services also employs educational programming such as facility tours, classroom presentations and workshops on a variety of waste topics to help residents understand and participate in waste reduction and diversion activities.

In 2017, staff delivered 618 EWMC tours to over 15,000 students, teachers and adults. By observing Edmonton's waste and recycling processing services in action, participants gained a deeper understanding of how Edmonton's waste system works and the essential role it plays in keeping waste out of the landfill.

The Reuse Centre celebrated its 10-year anniversary in 2017. The centre accepts various items from Edmonton residents free of charge and makes them available to organizations and individuals for reuse, thus keeping this material out of the landfill. In 2017, the Reuse Centre expanded its outreach efforts with new on-site education programs and facility rentals. Last year, the Reuse Centre had 32,169 customer visits and accepted over 322 tonnes of donations. The perception survey conducted in 2017 showed that 65 percent of residents were aware of the Reuse Centre; however, only 21 percent used this service. Through education and outreach programs, Waste Services aims to increase public participation in Reuse Centre programs and services.

WasteWise — a free waste sorting app and online tool — is powered by a current database that helps residents learn if specific waste items should be placed in the garbage, recycled or taken to an Eco Station. It also allows residents to find their collection schedule, sign up for collection-day reminders and play a waste-sorting game. Within its first year, the app was downloaded 9,221 times, received 165,707 item searches and earned an overall rating of 4.7 (out of 5) on the Google Play and iTunes app stores.

*"WasteWise is very handy!  
I am so glad I can quickly  
look up items that I never  
knew what to do with! Plus,  
it reminds me about garbage  
day – bonus!"*

**– Customer feedback**





## COLLECTION SERVICES

**Waste collection is one of the major services provided by Waste Services and includes collection via Eco Stations and recycling depots, at curbside and from multi-unit residential, in addition to commercial waste collection generated from contracted clients in Edmonton.**

### COLLECTION OF WASTE AND RECYCLING

Waste Services provides waste and recycling collection service to residential customers living in both single unit (SU) and multi-unit (MU) residential housing. In 2017, approximately 249,000 tonnes of garbage and 42,000 tonnes of recycling were collected from over 388,000 Edmonton households.

The Assisted Waste program is a collection service provided by Waste Services to residents who are unable to place garbage and recycling at the curbside for collection such as seniors or persons with limited mobility. In 2017, 298 customers received regular assistance through this program.

Approximately 60 percent of Edmonton's waste comes from its non-residential sector. Waste Services provides collection services to non-residential customers who are interested in reducing their environmental footprint by offering a one-stop-shop diversion and disposal services – something not offered by the majority of Edmonton's commercial waste haulers. The program's pricing is fair and competitive and customers are not required to sign long-term contracts. This, along with excellent customer service, has allowed the program to quickly expand from a handful of commercial waste accounts to over 1,000 customers in the last seven years. Current and long-term customers include West Edmonton Mall, Kingsway Mall, Southgate Mall, MacEwan University, NAIT, Edmonton Public School Board and all City of Edmonton recreational facilities. Approximately 14,000 tonnes of waste was collected through commercial collection in 2017.

### CONVENIENT RESIDENTIAL WASTE DROP-OFF LOCATIONS

In addition to curbside collection, residents also have access to a number of facilities around the City where larger items, that cannot be collected curbside, can be dropped off for recycling, reuse or disposal.

Eco Stations accept electronics and other household waste such as paint, batteries, light bulbs and oversized items. There is one Eco Station located in each quarter of the city. Since the inception of the program

in 1995, more than 2.9 million customers have been served by the Eco Stations. In 2017, the Eco Stations received a record of 290,000 visits and diverted 246,408 kg of material from the landfill. A public perception survey conducted in 2017 showed that approximately 62 percent of residents used an Eco Station at least two to three times a year.

Recycling Depots are facilities where recyclable material such as plastic and glass bottles, tin and aluminium cans, cardboard boxes and paper from homes or small businesses can be dropped off. There are currently 21 recycling depots located across Edmonton.

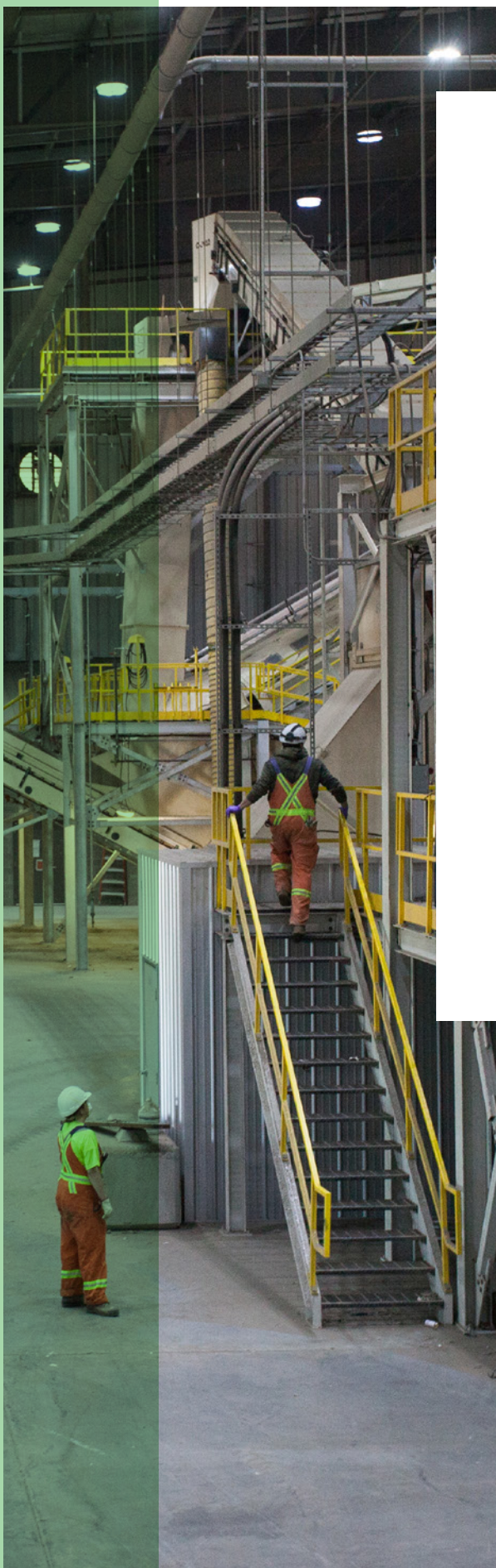
In 2017, Waste Services opened two new depot centres at the Meadows and Terwillegar Recreation Centres. Approximately 5,400 tonnes of recyclables were collected from recycling depots in 2017. The public perception survey conducted in 2017 showed that approximately 46 percent of Edmontonians used the recycling depots an average of five times every year on a consistent basis.

### MUNICIPAL BENCHMARKING RESEARCH

In the summer of 2017, Waste Services conducted an environmental scan and benchmarking search to identify waste management best practices in 23 Canadian municipalities. A clear picture emerged of the types of programs, key strategies and learnings that municipalities have gained from efforts to positively impact diversion rates. Key findings of the research were used to formulate the 2018 Waste Services Strategy Update.

## WASTE DIVERSION SERVICES

**Waste Diversion Services reduce disposal of waste in landfills by processing waste and converting it into useful materials such as compost and biofuels, or by selling it to vendors for reuse. These services help support Waste Services' strategy by maximizing opportunities to recover, reduce and reuse materials from the waste stream. Waste diversion occurs through various EWMC services and programs, which are continually reviewed in order to optimize process design and delivery.**



### ANAEROBIC DIGESTION FACILITY

The Anaerobic Digestion Facility (ADF) will process 48,000 tonnes per year of residential and commercial organic waste into biogas and compost. The biogas will be used in combined heat and power (CHP) generators to generate electricity. Both power and heat generated will be used by the waste processing facilities at the EWMC.

The construction of the ADF was initiated in 2016 and continued throughout 2017. This facility is expected to be fully operational by the end of 2018.

### WASTE TO BIOFUELS

In September 2017, Enkern announced it had launched its ethanol production, following the installation of its methanol-to-ethanol conversion unit. Feedstock, also known as Refuse Derived Fuel (RDF), is made from residual waste that would otherwise be landfilled, is converted into biofuels.

### EDMONTON COMPOST FACILITY STRUCTURAL ISSUES

Structural issues with the aeration hall roof of the Edmonton Composting Facility (ECF) were raised by a third-party consulting firm during an inspection in late 2016 and early 2017. A further inspection was conducted and based on the concern regarding the structural integrity of the building, the ECF was temporarily closed on October 31, 2017 for safety reasons. Waste Services is in the process of developing a long-term strategy for the ECF building and a complete business case is expected in Fall 2018. As a result of the ECF closure, several capital projects have been identified to support the Anaerobic Digestion Facility commissioning and operation, work on which will continue in 2018.

*"EWMC tour was an amazing visual for my students. We are constantly talking about how we can reduce so it was a great connection."*

**– Teacher feedback**

## **IMPROVING THE ENVIRONMENT BY FINDING BENEFICIAL USE FOR OUR PRODUCTS**

Waste Services converts waste to useful products and had a successful year in using these products to improve the environment.

### **Converting organic waste into environmentally sustainable products**

Coal mines in Alberta are scheduled to be phased out by 2030. Mining operations typically strip the topsoil, and the lack of organic matter inhibits the growth of any vegetation. Managing and reclaiming Alberta's land to establish vegetation patches (e.g. grasslands, forests and wetlands) will provide habitats for diverse wildlife and aquatic species. Reclamation presents a significant opportunity for Waste Services as compost produced from municipal solid waste at the EWMC can be applied to these sites to improve the nutrient profile of the soil and increase plant growth.

In 2017, the City of Edmonton sent 32,000 tonnes of compost to the Whitewood mine for reclamation. The continuation of the mine reclamation initiative and compost sales are pending the Edmonton Compost Facility (ECF) next steps, as this facility was temporarily shut down in October 2017 due to structural issues.

### **OPTIMIZING PROCESSES IN RESPONSE TO MARKET DEMAND**

In July 2017, China implemented Operation Green Fence, an aggressive inspection effort aimed at curtailing the amount of contaminated recyclables and waste being sent to China. This was accompanied by new strict quality targets for incoming materials. Loads must now contain less than 0.3 percent contamination. In response to these changing market conditions, the Materials Recovery Facility (MRF) has made adjustments to its operations such as reducing the processing speed in order to efficiently remove contamination from the commodities. Waste Services has also found other markets for sale of recyclable products to ensure continued levels of diversion of this material from landfill.

### **IMPROVING FACILITIES AND PROCESSES**

During the Utility reorganization in 2017, Waste Services seized the opportunity to improve Waste processes and assets. Waste Services worked with Corporate Procurement and Supply Services and the Law Branch to complete a number of projects related to repurposing Site 440, a former paper recycling facility at the EWMC. These projects were:

- Facility cleanup and recycling of any leftover material
- Auction and sale of plant equipment
- Completion of a building code review

A structural engineering firm will complete the structural assessment by summer 2018.

Waste Services identified multiple business process improvements in 2017. These initiatives were also identified in the preliminary findings from an audit that was initiated by the Office of City Auditor in 2017. Some of these process improvements are listed below and work on these initiatives will continue in 2018.

- Development and implementation of a performance management framework, which includes the development of measures, data collection and analysis, consistent reporting and regular review by the Waste Services Leadership Team to ensure operations, including waste processing facilities are meeting performance expectations.
- Enhanced business case development ensuring strong investment proposal exploring all feasible options and associated risks are captured in the future.
- Enhanced project management protocols such as project initiation, priority evaluation and decision making process to identify, recommend and manage current and future projects to align with Branch goals.
- Development and implementation of condition assessment, data verification and preventative maintenance processes and procedures to clarify roles and responsibilities between Waste Services and corporate partners, as well as different business areas within the Branch.
- Evaluation and condition assessment of infrastructure at the EWMC identified a need to replace the ground water diversion system at the Clover Bar Landfill. The funding for this project was approved in the Waste Services Fall 2017 Supplemental Capital Budget Adjustment, and construction to replace the system will commence in 2018.





## FINANCIAL SUMMARY

# Continued progress towards a sustainable financial position

### INTRODUCTION

The 2017 Waste Services Annual Report reflects the financial performance and significant accounting policies for the Branch with the following unaudited financial statements and notes to the financial statements along with supplemental information.

#### Statement of Financial Position

#### Statement of Operations and Accumulated Surplus

#### Statement of Change in Net Debt

#### Statement of Cash Flows

#### Schedule A: Financial Indicators (supplemental information)

These Financial Statements are intended to report on the financial condition as of December 31, 2017 to ensure accountability, demonstrate transparency and assist with both long-term financial and strategic planning. The requirements for municipal financial reporting are standardized across Canada based on the Public Sector Accounting Handbook, which establishes accounting standards for the public sector and provides guidance for financial and other performance information. These financial statements have been prepared in accordance with Public Sector Accounting Standards statements.

### 2017 FINANCIAL HIGHLIGHTS<sup>1</sup>

The Waste Services Utility<sup>2</sup> continues to demonstrate progress towards a sustainable financial position for the utility through its efforts to achieve stable and consistent rate increases, meet cash targets and maintain ongoing positive cash balances. The utility achieved an excess of revenue over expenses of \$3,211 despite impairments to the Edmonton Compost Facility, losses on the disposal of machinery and equipment operated by a third party at the EWMC, and increases to the landfill closure and post-closure liability. The cash position of the branch increased by \$29,146 to \$50,860. The debt-to-net asset ratio increased from 81 percent in 2016 to 84 percent in 2017 as tangible capital assets (non-contributed) were mostly unchanged at \$279,683 while long-term debt increased by \$10,065 to \$235,672.

### STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position provides information on the Waste Services Utility's ability to finance its activities and meet its obligations. The financial assets have grown by \$39,245 from \$42,837 in 2016 to \$82,082. The primary cause of this increase is cash and cash equivalents which increased to \$50,860. Of the balance, \$46,656 is for designated purposes including landfill closure, post closure care and for the contaminated sites liability.

<sup>1</sup> All dollar amounts are in thousands of dollars (\$000s).

<sup>2</sup> Waste Services reports financial data as Waste Services Utility



Liabilities increased by \$40,543 from \$269,069 in 2016 to \$309,612. This increase is attributed to the liability for contaminated sites of \$16,819, an increase to the landfill closure and post-closure care of the landfill of \$7,390 and an increase in long-term debt of \$10,065. The contaminated sites liability is associated with the former Drainage Utility operations that were transferred to the Waste Services Utility upon the Drainage Utility's transfer to EPCOR. The landfill closure and post-closure contingent liability increased from \$22,447 in 2016 to \$29,837 as a result of a revaluation of the costs. The branch anticipates final closure in 2021; however, forecasted timelines are subject to change as work progresses on full closure of the landfill, which will facilitate post-closure activities.

The Waste Services Utility accumulated surplus of \$70,420 is an increase of \$2,640 from 2016. Accumulated surplus is primarily composed of the unrestricted accumulated operating surplus of \$9,876 and equity in tangible capital assets of \$56,809.

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

The Statement of Operations and Accumulated Surplus reports on the annual operating revenues, expenses and the resulting excess or deficit position. The approved operating budget for 2017 forecasted an excess of revenue over expenses - before other of \$4,750. The actual operating results were a shortfall of \$2,389. Other sources of revenue include partnership funding of \$5,600 for the Anaerobic Digestion Facility resulting in an excess of revenue over expenses of \$3,211.

The two major categories of revenues for the Waste Services Utility are rate revenue and program revenue. Rate revenue is generated through fees for residential collection and waste disposal. These revenues account for 83 percent of the utility's revenues in 2017. Rate revenue increased \$11,785 from 2016, ending the year \$4,904 higher than the approved operating budget due to 2017 residential waste service rate increase as well as growth in the total customer base.

Program revenue comprises 17 percent of revenues mainly from non-residential waste collection, fees for recycling and disposal services at EWMC and revenue from sale of recyclable materials and eco station fees. Program revenue ended the year \$9,090 higher than 2016. This was a result of higher landfill and greenhouse gas revenues of \$2,950, higher commercial collection revenues of \$1,997, higher construction and demolition revenues of \$1,498 and higher recyclable sales of \$1,347.

These revenue increases were offset by expenses which were \$30,677 higher than 2016 and \$20,899 higher than the approved operating budget. Unanticipated expenses include the impairment of the Edmonton Compost Facility assets of \$12,316, increases to the landfill closure and post closure care of \$7,390 and the loss on disposal of machinery and equipment operated by a third party at the EWMC of \$2,416.







Non-regulated programs ended the year with a shortfall of \$1,956. To address temporary non-regulated program losses and achieve target cash balances, a tax supported short-term loan was approved by Council in the 2015 Operating Budget process. Annual draws were approved for four years from 2015 to 2018. The principal and interest (1.5 percent) are repaid annually starting after the first draw, which occurred in 2015. During the year, \$170 was paid for principal and interest, related to the 2015 draw. As a result of the non-regulated shortfall for 2017, a draw of \$1,956 was made on the short-term loan.

### STATEMENT OF CHANGE IN NET DEBT

The Statement of Change in Net Debt is a key indicator of the Waste Services Utility's financial position. Net debt for the branch increased by \$1,298 in 2017 to a balance of \$227,530 and is indicative of the Utility's reliance on long-term debt to finance its investment activities into tangible capital assets. The debt-to-net asset ratio finished 2017 at 84 percent which is an increase over the 2016 position of 81 percent. The impairment of the Edmonton Compost Facility of \$12,316 had a significant impact.

Waste Management Fiscal Policy C558 establishes a target for debt-to-net assets ratio of 50 to 70 percent. The debt-to-net asset ratio has historically been above 70 percent as Waste Services Utility has focused on other financial indicators such as stable, consistent rate increases. Lowering the debt-to-net asset ratio is recognized by the Utility as a priority and will be addressed in the long-term financial plan.

### STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides the sources and use of cash for operating, capital and financing activities. The cash position has improved by \$29,146 from the prior year as a result of non-cash expenses such as the impairment of the Edmonton Compost Facility of \$12,316, increases to the landfill closure and post closure care of \$7,390 and due to the transfer of cash to cover the contaminated sites liability associated with the former Drainage Utility. Of the total cash position \$46,656 is restricted for specific (appropriated) purposes.

### CONCLUSION

The Waste Services Utility continued to improve overall operating performance in 2017 as demonstrated with the excess revenues over expenditures of \$3,211, a positive cash position of \$50,860, and a \$2,640 increase to accumulated surplus from \$67,780 to \$70,420. Waste Services will be updating its long-term Strategic Plan in 2018. Once finalized and approved, the Strategic Plan will address strategic and operational challenges and recommend program changes that will better align the utility towards the goal of diverting additional residential waste from landfills.





# FINANCIAL STATEMENTS







## STATEMENT OF FINANCIAL POSITION (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

	2017	2016
<b>Financial assets</b>		
Cash and temporary investments	\$ 50,860	\$ 21,714
Accounts receivable	31,222	21,123
	<b>82,082</b>	<b>42,837</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 3)	40,790	17,993
Deferred revenue	65	63
Employee benefit obligations (Note 4)	3,248	2,959
Provision for landfill closure and post-closure costs (Note 5)	29,837	22,447
Long-term debt (Note 6)	235,672	225,607
	<b>309,612</b>	<b>269,069</b>
<b>Net debt</b>	<b>(227,530)</b>	<b>(226,232)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	292,481	293,537
Prepaid expenses	263	280
Inventory of materials and supplies	5,206	195
	<b>297,950</b>	<b>294,012</b>
<b>Accumulated surplus (note 8)</b>	<b>\$ 70,420</b>	<b>\$ 67,780</b>

See accompanying notes to financial statements.

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

	Budget	2017	2016
<b>Revenue</b>			
Rate revenue	\$ 170,358	\$ 175,262	\$ 163,477
Program revenue	26,543	35,395	26,305
Government transfers – operating (Note 10)	-	4	2,000
<b>Total Revenue</b>	196,901	210,661	191,782
<b>Expenses (Note 11)</b>			
Salaries, wages, and employee benefits	51,148	49,271	45,889
Materials, goods, supplies, and utilities	12,774	7,282	12,009
Contracted and other services	81,987	92,023	79,596
Intra-municipal services	28,694	29,761	26,918
Debt interest and bank charges	9,881	9,326	9,682
Amortization of tangible capital assets	23,764	21,626	21,157
Loss on disposal of tangible capital assets	-	2,416	54
Write-down of tangible capital assets	-	12,316	-
Biofuel grant	-	-	2,000
Intra-municipal recoveries	(16,097)	(10,971)	(14,932)
<b>Total expenses</b>	192,151	213,050	182,373
<b>(Shortfall) Excess of revenue over expenses – before other</b>	4,750	(2,389)	9,409
<b>Other</b>			
Developer and customer contributions – capital	5,000	5,600	1,070
<b>Excess of revenue over expenses</b>	9,750	3,211	10,479
<b>Accumulated surplus, beginning of year</b>	67,780	67,780	57,153
Net tax supported loan proceeds (repayment)	-	807	(147)
Tangible capital assets transferred (to) from other City Departments	-	(1,378)	295
<b>Accumulated surplus, end of year</b>	\$ 77,530	\$ 70,420	\$ 67,780

See accompanying notes to financial statements.

## STATEMENT OF CHANGE IN NET DEBT (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

	Budget	2017	2016
<b>Excess of revenues over expenses</b>	\$ 9,750	\$ 3,211	\$ 10,479
Acquisition of tangible capital assets	(52,431)	(36,689)	(26,695)
Proceeds on disposal of tangible capital assets	-	9	-
Amortization of tangible capital assets	23,764	21,626	21,157
Loss on disposal of tangible capital assets	-	2,416	54
Write-down of tangible capital assets	-	12,316	-
	(28,667)	(322)	(5,484)
Net decrease (increase) in prepaid expenses	-	17	(263)
Net increase in inventory of materials and supplies	-	(5,011)	(51)
Net tax supported loan proceeds (repayment)	-	807	(147)
	-	(4,187)	(461)
<b>(Increase) decrease in net debt</b>	(18,917)	(1,298)	4,534
<b>Net debt, beginning of year</b>	(226,232)	(226,232)	(230,766)
<b>Net debt, end of year</b>	\$ (245,149)	\$ (227,530)	\$ (226,232)

See accompanying notes to financial statements.



## STATEMENT OF CASH FLOWS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

	2017	2016
<b>Operating</b>		
Excess of revenues over expenses	\$ 3,211	\$ 10,479
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	21,626	21,157
Loss on disposal of tangible capital assets	2,416	54
Write-down of tangible capital assets	12,316	-
Changes in non-cash items:	(10,099)	(2,470)
Accounts payable and accrued liabilities	22,797	1,799
Deferred revenue	2	8
Employee benefit obligations	289	363
Landfill closure and post-closure care	7,390	2,459
Prepaid expenses	17	(263)
Inventory of materials and supplies	(5,011)	(51)
<b>Cash provided by operating activities</b>	<b>54,954</b>	<b>33,535</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(36,689)	(26,695)
Proceeds on disposal of tangible capital assets	9	-
<b>Cash applied to capital activities</b>	<b>(36,680)</b>	<b>(26,695)</b>
<b>Financing</b>		
Debtenture borrowings	29,901	18,566
Repayment of long-term debt	(19,836)	(18,439)
Net tax supported loan proceeds (repayment)	807	(147)
<b>Cash provided by financing activities</b>	<b>10,872</b>	<b>(20)</b>
<b>Increase in cash and temporary investments during the year</b>	<b>29,146</b>	<b>6,820</b>
<b>Cash and temporary investments, beginning of year</b>	<b>21,714</b>	<b>14,894</b>
<b>Cash and temporary investments, end of year</b>	<b>\$ 50,860</b>	<b>\$ 21,714</b>
<b>Cash and temporary investments comprises:</b>		
Cash	26	26
Due from the City of Edmonton	50,834	21,688
	<b>\$ 50,860</b>	<b>\$ 21,714</b>

Operating activities for 2017 include \$268 (2016 - \$169) of interest received and \$9,369 (2016 - \$9,588) of interest paid.

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

### 01

#### GENERAL

The Waste Services Utility, operated by the City of Edmonton, provides services for the collection, disposal and recycling of residential solid waste services for the city. On September 23, 2014, the amended Waste Management Utility Fiscal Policy C558A was adopted by City Council. The policy includes governance for the Utility over such items as:

- a) Operating in a manner that balances the best possible service at the lowest cost, while employing private sector approaches to rate setting,
- b) Accounting for the cost of service under a full cost accounting approach, and
- c) Contributing towards achieving the City's Strategic Plan.

### 02

#### SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Waste Services Utility are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant aspects of the accounting policies adopted by the City are as follows:

##### A. BASIS OF ACCOUNTING

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

##### B. DUE FROM THE CITY OF EDMONTON

Amounts due from the City of Edmonton represent cash and temporary investments managed by the City of Edmonton. Interest earned is recorded by the Waste Services Utility.

##### C. INVENTORIES

Inventory of materials and supplies is valued at the lower of average cost and replacement cost.

##### D. USE OF ESTIMATES

The preparation of financial statements in conformity with the PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine useful lives of tangible capital assets, landfill closure and post-closure care obligations and employee benefit obligations.

##### E. NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets, inventory of materials and supplies, and prepaid expenses.

##### F. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest charges during the construction period are not capitalized.

The cost of routine maintenance and repairs and the replacement of minor parts are charged to expense as incurred. Certain expenditures relating to replacement of components incurred during major maintenance are capitalized and amortized over the estimated benefit period of such expenditures.

Assets under construction are not amortized until available for productive use. Once construction is complete and the asset is placed into service, assets are transferred to the appropriate asset category. The project life-cycle from preliminary design to construction completion may exceed one year.

Tangible capital assets are written down when conditions indicate that a tangible capital asset no longer contributes to the Waste Services Utility's ability to provide goods and services, or that the value of the future economic benefit associated with the tangible capital asset is less than net book value.

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

### G. AMORTIZATION

The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets:

Asset Category	Useful Life	Amortization Rate
Processing Facilities & Equipment	10 to 40 years	2.50% to 10.00%
Land improvements	15 to 25 years	4.00% to 6.67%
Buildings	15 to 75 years	1.33% to 6.67%
Machinery and equipment	3 to 25 years	4.00% to 33.33%
Vehicles	5 to 12 years	8.33% to 20.00%

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

### H. CONTRIBUTIONS OF TANGIBLE CAPITAL ASSETS

Tangible capital assets acquired as contributions are recorded at their fair value on the date received. Equivalent amounts are recorded as contributed tangible capital assets on the Statement of Operations and Accumulated Surplus.

- i) an environmental standard exists,
- ii) there is evidence that contamination exceeds an environmental standard,
- iii) the Waste Services Utility is directly responsible or accepts responsibility for the contamination,
- iv) it is expected that future economic benefits will be given up and,
- v) a reasonable estimate of the amount can be made.

### I. LANDFILL CLOSURE AND POST-CLOSURE CARE

Pursuant to the Alberta Environmental Protection and Enhancement Act, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

Sites that are currently in productive use are only considered contaminated sites if an unexpected event results in remediation. In cases where the Waste Services Utility's responsibility is not determinable, a contingent liability may be disclosed.

### J. DEFERRED REVENUE

Funds received from external parties that are restricted for use in the conduct of certain programs or in the completion of specific work are deferred until used for the purpose specified.

The liability reflects the Waste Services Utility's best estimate, as of December 31, of the amount required to remediate non-productive sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site complemented with any other pertinent information based on costs to clean up similar sites. The liability is recorded net of any estimated recoveries from third parties. The Waste Services Utility will measure the liability using present value techniques when cash flows are expected to occur over extended future periods.

### K. LIABILITY FOR CONTAMINATED SITES

Contaminated sites are the result of a chemical, organic or radioactive material or live organism in amounts that exceed an environmental standard being introduced into soil, water or sediment. The Waste Services Utility recognizes a liability for remediation of contaminated sites when the following criteria have been met:



## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

### L. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS

The following summarizes upcoming changes to PSAS. In 2018, the Waste Services Utility will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS1201, Financial Statement Presentation, PS3450, Financial Instruments, PS2601, Foreign Currency Translation and PS3041, Portfolio Investments must be implemented at the same time. Related Party Disclosures PS2200 and Inter-Entity Transactions PS3420 also require concurrent adoption.

#### i. Assets

PS3210, Assets provides additional guidance on the definition of assets and new disclosure requirements for those assets not recognized in the government's financial statements. This standard is applicable for fiscal years beginning on or after April 1, 2017.

#### ii. Contingent Assets

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 15 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

#### iii) Contractual Rights

PS3380, Contractual Rights establishes standards on the reporting and disclosure of a government's rights to economic resources that may arise from contracts or agreements that will result in both an asset and revenue in the future. This standard is applicable for fiscal years beginning on or after April 1, 2017.

#### iv) Inter-entity Transactions

PS3420, Inter-Entity Transactions specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

#### v) Related Party Disclosures

PS2200, Related Party Disclosures requires sufficient information be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party relationships have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

#### vi) Restructuring Transactions

PS3430, Restructuring Transactions establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. This standard is applicable for fiscal years beginning on or after April 1, 2018.

#### vii) Financial Statement Presentation

PS1201, Financial Statement Presentation, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2019.

#### viii) Financial Instruments

PS3450, Financial Instruments establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2019.

#### ix) Foreign Currency Translation

PS2601, Foreign Currency Translation, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2019.

#### x) Portfolio Investments

PS3041, Portfolio Investments has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450, Financial Instruments, and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041, PS3030, Temporary Investments will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

### 03

#### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade and other	\$ 21,849	\$ 15,862
Liability for contaminated sites (Note 12)	16,819	-
Accrued Interest	2,122	2,131
	<b>\$ 40,790</b>	<b>\$ 17,993</b>

### 04

#### EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Accrued vacation	\$ 1,510	\$ 1,293
Post-employment benefits	934	1,024
Banked overtime	521	428
Health care spending	231	161
Income replacement plan	52	53
	<b>\$ 3,248</b>	<b>\$ 2,959</b>

Post-employment benefits represent the Waste Services Utility's cost, including the continuation of benefits for employees on long-term disability, and the Waste Services Utility's share of pensioners' eligible medical, dental and other obligations until pensioners reach the age of 65. In order to measure the post-employment benefit obligation, an actuarial valuation was completed by AON Hewitt as at December 31, 2017 regarding the continuation of benefit coverage while eligible employees are on long-term disability.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses

not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2017 expenses of amounts not used in the current year that are eligible to be carried forward under the terms of the plan.

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2017, completed by AON Hewitt.

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

### 05

#### LANDFILL CLOSURE AND POST-CLOSURE CARE

Under Provincial legislation, the City has a liability for closure and post-closure care costs for its landfill sites. The Clover Bar landfill site was closed to public in August 2009. The City continued using the landfill internally and anticipates final closure by 2021. The period for post-closure care is 25 years and will commence once the site is closed in 2021. The costs to maintain a closed solid waste landfill site are based on estimated future expenses in current dollars by applying a discount rate at the City's average long-term borrowing rate of 3.9 per cent (2016 – 3.8 per cent) and inflation rate of 1.6 per cent (2016 – 3.0 per cent). An amount of \$29,837 (2016 – \$22,447) has been accrued. The liability was increased by \$10,654 (2016 – \$4,588) to reflect revised post-closure care cost estimates, offset by \$3,264 (2016 – \$2,129) which was expended in the year to reflect cash outlays for post closure care.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, monitoring ground and surface water, treatment and monitoring of leachates, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

### 06

#### LONG-TERM DEBT

The Waste Services Utility utilizes debt to finance capital expenditures under principles and limits established within the Waste Management Utility Fiscal Policy. The policy is intended to support the Waste Services Utility's long-term capital plans and strategies while maintaining long-term financial affordability, flexibility and sustainability. Borrowing has generally been in the form of amortizing debentures administered through the Alberta Capital Finance Authority (ACFA), utilizing the strong debt rating of the Government of Alberta and combined borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, thus eliminating the risk associated with fluctuating interest rates.

Existing long-term debt matures in 2042. Debenture interest is payable at rates ranging from 1.7 per cent to 6.4 per cent. The average rate is 4.0 per cent for 2017 (2016 – 4.3 per cent) with terms of 10, 15, 20 and 25 years. Payments are made annually or semi-annually. Interest paid on long-term debt in 2017 was \$9,348 (2016 – \$9,588).

The current portion of long-term debt amounts to \$20,767 (2016 – \$19,567).

Principal and interest repayments are as follows:

		Principal		Interest		Total
2018	\$	20,767	\$	9,266	\$	30,033
2019		18,145		8,472		26,617
2020		16,652		7,772		24,424
2021		16,382		7,100		23,482
2022		15,952		6,426		22,378
Thereafter		147,774		33,382		181,156
<b>Total</b>	<b>\$</b>	<b>235,672</b>	<b>\$</b>	<b>72,418</b>	<b>\$</b>	<b>308,090</b>

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

### 07 TANGIBLE CAPITAL ASSETS

Tangible capital assets include non-contributed and contributed assets and consist of the following:

Tangible Capital Asset	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Processing Facilities and Equipment	\$ 169,022	\$ 134,080	\$ 34,942	\$ 49,894
Land	16,050	–	16,050	16,050
Land Improvements	44,524	15,541	28,983	30,688
Buildings	124,259	36,316	87,943	94,208
Vehicles	55,190	30,628	24,562	23,682
Machinery and Equipment	90,425	35,008	55,417	61,395
	499,470	251,573	247,897	275,917
Capital Assets Under Construction	44,584	–	44,584	17,620
<b>Total</b>	<b>\$ 544,054</b>	<b>\$ 251,573</b>	<b>\$ 292,481</b>	<b>\$ 293,537</b>
Tangible Capital Assets – Non-Contributed	\$ 527,060	\$ 247,377	\$ 279,683	\$ 279,906
Tangible Capital Assets – Contributed	16,994	4,196	12,798	13,631
	\$ 544,054	\$ 251,573	\$ 292,481	\$ 293,537

### 08 ACCUMULATED SURPLUS

The Waste Services Utility's total accumulated surplus consists of its accumulated operating position (unrestricted), a tax supported loan, advances for construction and equity in tangible capital assets as summarized below.

	2017	2016
Accumulated operating surplus (deficit)	\$ 9,876	\$ (1,914)
Tax supported loan	3,232	1,425
Advances for construction	503	339
Equity in tangible capital assets	56,809	67,930
<b>Total accumulated surplus</b>	<b>\$ 70,420</b>	<b>\$ 67,780</b>

The tax-supported loan from the City of Edmonton was approved through the 2015 operating budget and was further discussed in the 2016 to 2018 Waste Services Utility Rate File. It is required to address the non-regulated program losses and to achieve target cash balances. Principal and interest payment of 1.5 per cent are paid annually starting with the first draw in 2015. Full repayment of the loan is required by December 31,

2025 and a maximum of \$11,113 can be drawn on the loan in accordance with the 2016 to 2018 Rate File.

Advances for construction represents debt proceeds received in advance of related capital expenses.



## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

### 09 EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible capital assets	\$ 544,054	\$ 512,244
Accumulated amortization	(251,573)	(218,707)
Long-term debt (Note 6)	(235,672)	(225,607)
	\$ 56,809	\$ 67,930

### 10 GOVERNMENT TRANSFERS

	Budget	2017	2016
Operating transfers:			
Provincial	-	4	2,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 4</b>	<b>\$ 2,000</b>

In 2017, the Provincial Government provided an operating grant of \$4 (2016 - \$0) through the Summer Temporary Employment Program (STEP). The STEP program provides a wage subsidy to employers who hire students during the summer.

The Provincial Government approves operating funding through the Alberta Innovates - Energy & Environment Solutions Grant for

a solid waste gasification facility, including a separate research and demonstration facility. Waste Services administers the grant on behalf of Alberta Innovates. The grant is received for future disbursement to a third party upon the completion of identified project milestones. In 2017, \$0 was recognized as revenue (2016 - \$2,000).

### 11 EXPENSE BY FUNCTION

	2017	2016
Sustainable Waste Processing Services	\$ 150,887	\$ 122,849
Collection	62,163	59,524
	\$ 213,050	\$ 182,373

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

### 12

#### LIABILITY FOR CONTAMINATED SITES

As of December 31, 2017, the liability for contaminated sites includes sites associated with former Drainage Utility operations that were transferred to the Waste Services Utility upon the Drainage Utility's transfer to EPCOR. The nature of contamination includes chemicals, heavy metals, salt, biosolids and other organic and inorganic contaminants. The sources of contamination include a wastewater lagoon.

Liability estimates are based on environmental site assessments and costs to remediate similar sites. The current liability for contaminated sites of \$16,819 is reported in accounts payable and accrued liabilities in the Statement of Financial Position.

### 13

#### CONTINGENT LIABILITIES

The Waste Services Utility is the defendant in lawsuits as at December 31, 2017. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded.

The Waste Services Utility continues to review environmental objectives and liabilities for its activities and properties as well as potential reclamation obligations. There may be contaminated sites that the Waste Services Utility has identified that have the potential to result in remediation obligations. A liability has not been recorded for these sites because either the likelihood of the Waste Services Utility becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both.

### 14

#### COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

## SUPPLEMENTAL INFORMATION SCHEDULE A: FINANCIAL INDICATORS (UNAUDITED)

For the year ended December 31, 2017 (in thousands of dollars)

	2015 Actual	2016 Actual	2017 Approved Budget	2017 Actual	2018 Approved Budget
<b>Rate Sufficient to Meet Expenditures and Cash Flow</b>					
Net Income (loss) <sup>1</sup>	\$ 2,746	\$ 10,500	\$ 5,048	\$ (1,541)	\$ 19,396
Target: Positive Net Income	Yes	Yes	Yes	No	Yes
<b>Cash Position</b>					
Pay As You Go Requirement <sup>2</sup>	\$ 5,354	\$ 5,081	\$ 8,801	\$ 19,597	\$ 14,274
Risk Allowance	\$	\$ 2,100	\$ 2,175	\$ 2,175	\$ 3,122
Target Cash Position	\$ 5,354	\$ 7,181	\$ 10,976	\$ 21,772	\$ 17,396
Actual Cash Balance	\$ 14,894	\$ 21,714	\$ 16,963	\$ 50,860	\$ 18,626
Actual Cash ≥ Target	Yes	Yes	Yes	Yes	Yes
<b>Residential Customer Rate Impacts</b>					
<b>Single Unit</b>					
Monthly Billing Increase	\$ 3.35	\$ 2.31	\$ 1.90	\$ 1.90	\$ 1.03
Impact of Customer Rate	9.0%	5.7%	4.4%	4.4%	2.3%
Monthly Unit Rate	\$ 40.69	\$ 43.00	\$ 44.90	\$ 44.90	\$ 45.93
<b>Multi Unit</b>					
Monthly Billing Increase	\$ 2.18	\$ 1.50	\$ 1.23	\$ 1.23	\$ 0.67
Impact of Customer Rate	9.0%	5.7%	4.4%	4.4%	2.3%
Monthly Unit Rate	\$ 26.45	\$ 27.95	\$ 29.19	\$ 29.19	\$ 29.85
Target: Stable, consistent rate increases	No	No	No	No	No
<b>Financing of Capital Investments</b>					
Debt to Net Assets Ratio <sup>3</sup>	83%	81%	79%	84%	73%
<b>Target: Between 50% – 70%; balancing cash availability, construction inflation, and interest</b>	No	No	No	No	No

<sup>1</sup> Net income excludes operating expenses (amortization) related to contributed assets as they are not funded by the utility (rates) and capital grants received.

<sup>2</sup> Pay As You Go represents the portion of next year's capital funded by operating cash flow.

<sup>3</sup> The impairment of the Edmonton Compost Facility had a significant impact on the debt to net asset ratio.



For more information, visit [edmonton.ca/waste](http://edmonton.ca/waste)

**Inquiries may also be directed to:**

The City of Edmonton, Waste Services, 2nd floor, Century Place  
9803 - 102A Avenue NW Edmonton, Alberta T5J 3A3

**Phone inquiry:**

In Edmonton: 311  
Outside Edmonton: 780-442-5311

**Edmonton**

*I am confident that through  
our commitment to safety,  
efficiency and effectiveness, our  
dedicated team will adjust and  
deliver programs which meet  
Edmontonians' high expectations.*

**— MICHAEL LABRECQUE**  
Branch Manager, Waste Services

