



FORMAL REPORT

To: Chair Stratthdee and Members of Strategic Priorities Committee

Prepared by: Dave Blake, Environmental Services Supervisor

Date of Meeting: 17 October 2017

Subject: **PW 58-2017 Solid Waste Rate Evaluation**

PURPOSE

This report presents information to the Strategic Priorities Committee (SPC) for review and discussion in regards to solid waste management rates for the St. Marys Landfill Site. The Committee is asked to consider the rate options presented for discussion and direct staff on solid waste rates to be applied in 2018 and beyond.

RECOMMENDATION

THAT Report PW 58-2017 Solid Waste Rate Evaluation be received for discussion.

BACKGROUND

In 2012, the Town of St. Marys installed a weigh scale at the landfill Site to satisfy Ministry of Environment (now Ministry of Environment and Climate Change) Guidelines, and to better track and monitor incoming wastes and materials. The installation of the scale at the landfill Site allowed the Town to record and identify how waste volumes change year over year, as well as develop an understanding of trends in waste disposal at the facility.

On July 26, 2016 report **PW 26-2016 Solid Waste Management Rate Review** was presented to Council as part of a rate evaluation for the landfill site. The report detailed the need to adjust rates at the landfill site to account for volume changes and anticipated capital projects to be implemented. As part of the report, the following rate projection was identified, with the 2017 rates being implemented by Motion 2016-07-26-30.

Category	Current	2017	2018	2019	2020	2021
Solid Waste (per metric tonne):	\$ 78.00	\$ 80.00	\$ 82.00	\$ 84.00	\$ 85.00	\$ 85.00
Recyclables:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leaf & Yard Waste:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Brush Material:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electronic Waste:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wood Waste:	\$ 78.00	\$ 80.00	\$ 82.00	\$ 84.00	\$ 85.00	\$ 85.00
Scrap metal:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MHSW:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asbestos:	\$ 156.00	\$ 250.00	\$ 250.00	\$ 300.00	\$ 300.00	\$ 300.00
Clean Fill:	\$ -	\$ 5.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Contaminated Soil:	\$ 156.00	\$ 175.00	\$ 225.00	\$ 225.00	\$ 250.00	\$ 250.00
Banned Materials with Waste:	\$ -	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Unsorted Waste:	\$ -	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00

Notes: Pricing per tonne

This report provides a further review of the landfill rate structure as part of a yearly review and details several options for consideration as well as staff recommendations.

REPORT

The landfill site has historically been subsidized by the municipal tax base. It wasn't until more recently that the landfill operation was thought of more as a self-funded program where revenue generation could be able to fully support and maintain operations and capital investments at the Site. The installation of the scale in circa 2012 allowed the Site to improve its material tracking and revenue generation. This was further enhanced in 2016 when the first rate increase in four (4) years was administered to further promote a self-funded program.

As part of an annual rate evaluation for the Site, Staff have presented a number of options for the Committee's consideration and discussion. Five (5) options have been presented for consideration (Attachments 1 through 5) and range from 0-10% annual increases in solid waste tipping fees.

Assumptions:

When developing the rate projections, Town staff made several assumptions related to the landfill site and its operation to provide a consistent basis for revenue generation and financial position. The following assumptions were used:

- Waste volume received at the landfill varies significantly from year to year and can be largely influenced by various factors such as flooding, storms, etc. which can cause large increases in materials being received. In an effort to stabilize the tonnage value utilized, a three (3) year average was utilized to determine the projected tonnage received for revenue generation.
- Due to the significant fluctuations which can be encountered in weight receipt at the landfill, tonnage received at the site does not increase or decrease as part of this assessment, but remains constant from year to year.
- The amount of wheelie bins would be increased annually based on historical housing starts to account for new builds and customers.
- The landfill reserve would maintain a \$25,000.00 balance while proceeding through Environmental Assessment, Environmental Protection Act and Ontario Water Resources Act Requirements. Studies and projects would be rate financed while maintaining the above noted balance and debenture financing used on costs not able to be rate financed.
- Projected 2020 debenture. A debenture for Capital works and unfinanced approval studies would be secured over a 20 year planning period. This lessens the impact on the Operations and Maintenance for the Site, controls cost and provides more financial flexibility for the Site.
- Tipping Fees per tonne have been rounded to the nearest \$0.25 based on percentage increases.

Option No. 1 – 0% Increase(s):

In Option No. 1 a zero (0) percent increase is presented for consideration. In 2016, a 2.5% increase was administered to landfill tipping fees and this option is presented as a baseline for consideration, also known as the "Do Nothing" approach. This option would maintain tipping fees as they currently exist

Please refer to Attachment No. 1 for full financial projections related to this option.

Option No. 2 – 1.9% Increase(s):

In Option No. 2, a 1.9% increase is presented for consideration. This option is presented and represents the "Consumer Price Index" (CPI) increase on an annual basis. With this Option, the tipping fee per tonne would increase annually in relation to CPI and would help to keep pace with inflation costs related to ongoing landfill operations. This Option would see tipping fees gradually increase each year, lessening the impact to customers of the Site while allowing greater financial stability and assurance.

Please refer to Attachment No. 2 for full financial projections related to this option.

Option No. 3 – 3% Increase(s):

In Option No. 3, a 3% increase is presented for consideration. This option more closely resembles the 2.5% increase administered in 2016 and continues with subsequent 3% increases annually. This option allows the landfill site to grow reserves at a slightly quicker pace than prior options while slightly increasing revenue through planned expansion and construction activities.

Please refer to Attachment No. 3 for full financial projections related to this option.

Option No. 4 – 5% Increase(s):

In Option No. 4, a 5% increase is presented for consideration. This option takes a slightly more aggressive approach to increase revenues at the landfill site to assist in cost recovery and capital works. With this option, rates would increase at a quicker pace which would allow the landfill site to grow reserves, while also creating more options for debenture financing related to capital works. A larger rate increase would potentially allow the Town to lessen the debenture period proposed, allowing the Site to move away from borrowing and into reserve funding sooner.

Please refer to Attachment No. 4 for full financial projections related to this option.

Option No. 5 – 10% Increase(s):

Option No. 5 presents a 10% increase for consideration. This option takes a very aggressive approach to revenue generation, reserve building and debenture financing. This option would potentially allow the Town to lessen the debenture finance period on proposed capital works for expansion while still building reserves for the Site and maintaining a controllable annual Operations and Maintenance budget.

Please refer to Attachment No. 5 for full financial projections related to this option.

Cost Implications per Tonne:

It is often times difficult to determine overall impacts to rates based on percentage increases. In order to assist in detailing the impact each option has on the overall tipping fee price, the per tonne cost has been presented based on each options percentage increase for the Committees review and consideration.

Please refer to Attachment No. 6 for full cost implications per tonne based on percentage increases presented herein.

Tipping Fee Comparison:

As part of the tipping fee rate review, Town staff looked at different area municipalities to assess the proposed rate options in comparison to our neighbours. The evaluation was completed to ensure that rates proposed were within reason, as well as providing additional information to the committee for discussion.

With the current rate of \$80.00/tonne, the Town's landfill rate is near the middle of area municipalities used in the comparison. Based on the five (5) options proposed for consideration, the Town's position would remain close to the same as existing however would slightly close the gap on those with higher rates.

Please refer to Attachment No. 7 for a full comparison of proposed rates.

Large Volume Haulers:

The St. Marys Landfill Site accepts waste generated from within the Town boundaries. Waste disposed at the facility not only includes refuse collected through the municipal curbside collection program, but also via commercial haulers contracted by local Industrial, Commercial and Institutional (IC&I) facilities. These commercial, large volume haulers account for a significant portion of the waste disposed within the Site, and as such, account for a significant portion of revenue generated at the landfill.

Currently, one commercial hauler accounts for approximately 50% of landfill tipping fee revenue. In 2016, Staff was advised that at the current tipping fee pricing, as well as the projected tipping fees, there are no plans to internalize waste disposal within the commercial company and use of the St. Marys Site should continue. In addition, Staff was advised that the commercial hauler assesses tipping fees and local operations on an annual basis, and should conditions or circumstances change, the Town would be notified in advance.

The Committee should be mindful of the impacts a tipping fee increase would have on commercial haulers in the area, and negative impacts on the landfill operation should larger fee increases be recommended, which could result in significant loss of revenue should commercial haulers decide the St. Marys Landfill is no longer economically sustainable for their operations.

Summary on Options Presented:

Staff recommends that the Committee make recommendations to Council to answer the following questions:

1. Should Staff be increasing landfill rates to provide greater financial stability and planned future capital works?
2. If yes, should rates be increased slowly, moderately or aggressive?
3. Should staff be looking for rate approvals for multiple years, or annual approvals of rates?

Based on the information presented herein, as well as considering the negative impacts large rate increases could create for the financial viability of the Site, Staff recommends that rates be increased slowly to cover the cost of inflation for the continued operation of the Site. Staff also recommends that rates be approved on an annual basis to account for changes or new developments which may occur at the Site changes and develops in the coming years.

SUMMARY

The purpose of this report has been to present information for the Strategic Priority Committee to review and discuss regarding solid waste tipping fee rates administered at the St. Marys Landfill Site. Several options have been presented to facilitate discussion regarding future rates.

To move this file forward, Staff requires the Committee to consider the options presented within this report and provide direction on the preferred future increases, if any on landfill rates.

FINANCIAL IMPLICATIONS

None at this time.

Depending on which option is recommended for adoption, will have an impact on both the Landfill Operations as well as the customers whom utilize the Site.

STRATEGIC PLAN

- ☒ This initiative is supported by the following priorities, outcomes, and tactics in the Plan.
 - Pillar #1 – Infrastructure, Waste Management Plan:
 - Outcome: With anticipated proactive measures for growth (residential, commercial, and industrial), there will be a need for active consideration of optimizing landfill services, but with a view on controlled costs and forward thinking environmental initiatives.
 - Tactic(s): Decide on what approaches best meet long-term community ability to meet provincial standards. Build a program and identify a budget to accommodate.
 - Pillar #5 – Economic Development, Industrial Strategy:

- Outcome: Industry has played, and continues to play a key role in the life of the Town in providing employment and economic stability. Seeking new opportunities to attract small, medium and large industry is in the Town's best interest as part of its growth strategy.
- Tactic(s): Build a retention plan, identify elements needed to ensure business stay and grow in the community.

OTHERS CONSULTED

Jed Kelly, Director of Public Works – Town of St. Marys

Jim Brown, Director of Finance – Town of St. Marys

Morgan Dykstra, Public Works Coordinator – Town of St. Marys

ATTACHMENTS

Attachment No. 1 – Option No. 1 for Solid Waste Rates

Attachment No. 2 – Option No. 2 for Solid Waste Rates

Attachment No. 3 – Option No. 3 for Solid Waste Rates

Attachment No. 4 – Option No. 4 for Solid Waste Rates

Attachment No. 5 – Option No. 5 for Solid Waste Rates

Attachment No. 6 – Tipping Fee Rates based on Options

Attachment No. 7 – Municipal Rate Comparison

REVIEWED BY

Recommended by the Department

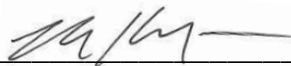


Dave Blake, C.E.T.
Environmental Services Supervisor



Jed Kelly
Director of Public Works

Recommended by the CAO



Brent Kittmer
CAO / Clerk