

Memo



Date: July 5, 2011
File: 1345-20
To: City Manager
From: Director, Infrastructure Planning
Subject: Amendment No. 5 to the Solid Waste Management Regulation Bylaw No. 10106
As prepared with Mark Matt, Manager, Strategic Projects

Recommendation:

THAT Council receives, for information, the report from the Manager, Strategic Projects dated July 5, 2011 with respect to the proposed rate changes, effective January 1, 2012, to Solid Waste Management Regulation Bylaw No. 10106;

AND THAT Council approves the rate changes to the Collection Fees and Solid Waste Reduction Fees, and the self haul garbage fee, being phased over a two (2) year period;

AND FURTHER THAT COUNCIL gives reading consideration to Bylaw No.10565 being Amendment No.5 to the Solid Waste Management Regulation By-law No.10106.

Purpose:

COUNCIL RESOLUTION FROM THE JUNE 27, 2011 A.M. REGULAR MEETING: (SR 200216)

THAT Council receives, for information, the Report from the Manager, Strategic Projects dated June 22, 2011 regarding the Amendment to the Solid Waste Management Regulation Bylaw No. 10106 Sanitary Landfill/Recycling Fees; AND THAT Council directs staff to return to Council with a policy regarding the development of uniform utility cost models based on the principle of full cost of service and revenue neutrality to ensure long-term fiscal viability; AND THAT Council directs staff to develop a Landfill Reserve Fund Strategy in 2012 to assure that regulatory risks and landfill replacement are properly secured in addition to the capital and closure allocation; AND FURTHER THAT Council directs staff to phase-in the increase in the charge for self-hauled loads as follows: (a) 2012 - \$8.00; and (b) 2013 - \$10.00.

This report addresses the resolutions regarding the Bylaw as underlined above. The remaining resolutions will be addressed at a later date.

Background:

During the past year staff has developed a long-term financial model for the solid waste services provided by the City to residential and commercial customers in the Region. The model is based on the full cost of the various services including land, operations, maintenance, capital equipment and fixed assets, as well as statutory requirements for closure/post-closure reserves.

Services include:

1. Waste Reduction Programs & Operations (provided by the RDCO)
2. Collection Services
 - a. Residential Curbside Collection
 - b. Regional Depot Program

A handwritten signature in purple ink, followed by the number "1".

3. Residential Recycled Material Processing
4. Glenmore Landfill
 - a. Disposal operations and management (handling, sorting, burial, biogas harvesting)
 - b. Recycling handling and sales
 - c. Wood & Yard Waste handling and composting

The average annual cost of the Solid waste services is currently about \$15 million per year. At this time a small reserve has been accumulated.

The overall purpose of the new financial model is to:

- ensure that users pay the full costs of each service with the full cost including land, operations, maintenance, capital equipment and facilities, statutory funding requirements for closure remediation and post-closure monitoring, and eventual replacement of the facility, so that no aspect of the operation is subsidized by the taxpayer;
- provide transparency and accountability to the various customers in the City and Region;
- plan for the financial viability of the landfill until the end of its service life;
- provide a financial basis for benchmarking the efficiency of the Kelowna operation against other jurisdictions and in relation to its past performance.

Issues identified in the financial model:

Developing the long-term financial model showed that the overall operation is currently financially viable regarding all operating costs including the routine capital associated with internal road construction and landfill gas reclamation piping. Slight adjustments are needed, however, to balance the revenues with costs on at the level of individual services.

On the other hand, the current fee structure, as reflected in the bylaw, has insufficient funds to pay for planned capital expansion over the next two decades. The landfill is still in the developmental phase. Two of the three fill areas have been developed. The first and smallest area is reaching capacity and will need to be closed soon. The third and largest volume area will need to be developed for environmentally safe burial beginning with the construction of new entrance facilities on the south extreme of the site over the next few years. Funding is needed to support this final capital expansion. These non-routine capital expenditures are estimated at just under \$50 million over the next two decades. Over the remaining life of the facility, statutory funding for closure and additional reserves for the eventual replacement of the facility will be needed. The majority of these capital expenditures are associated with the landfill burial operations that are paid for through the tipping fees collected from both residential and commercial contractors. An adjustment to the tipping fees is needed.

There are no tipping fees charged on self-hauled loads of yard waste under 250kg. In addition the charge for self-hauled mixed residential waste is only \$6 for loads under 250kg. Although the processing costs for these materials far outweigh the revenues collected, staff recommends that a rate structure that encourages self-haul offsets the avoided cost of retrieving illegally dumped loads of garbage and yard waste.

The fees charged to Kelowna residential customers need to be raised to account for the following:

- The assessment rate for curbside collection does not cover CPI increases or fuel surcharges in the contract
- The residential assessment rate for disposal does not include the cost of composting yard waste

Adjustments to the fee structures do not currently accumulate funds for the following:

- there is no rate stabilization fund to absorb fluctuations in the market price for recycled materials
- there is no reserve to mediate future increases in regulatory requirements

- no plans exist for the replacement of the existing solid-waste processing facility when it reaches the end of its service life (approximately 75 years, based on projected growth of the current market area). Research is required on potential technological solutions and locations before a reasonable assumption can be made regarding replacement cost.

It is expected that these adjustments can be developed in 2012 and implemented at a later date.

Proposed Fee Changes:

It is proposed that the Sanitary Landfill/Recycling Fees charged at the Glenmore Landfill be increased to reflect projected operating and capital costs and significant costs for capital construction to maintain the fiscal viability of the only disposal facility in the region on a "user-pay" basis without support from City of Kelowna's tax base.

Changes to Solid Waste Management By-law 10106 (Attachment #1) outlines the proposed changes to Sanitary Landfill/Recycling Fees. The main changes are (see Attachment #2):

- an increase in the disposal rate for garbage from the current \$55/tonne to \$65/tonne, and
- an increase in the charge for self-hauled load from the current \$6 to \$8 for 2012 and to \$10 for 2013.

No changes to the fees for acceptance of self haul small load yard waste are proposed however larger commercial load fees will increase from \$25 to \$40 per metric tonne.

Changes in the tipping fee rates of the Sanitary Landfill Fees will also impact the approximately 34,400 residential households within the City that receive curbside collection service that would be reflected in the Solid Waste Reduction Services Fee. The Collection Fee portion is also impacted as a result of fuel surcharges, scheduled contract increases, and contract renegotiations. Overall, a \$20.48 increase to residential customers for service is required. Council has proposed that these increases be implemented over a two-year period (see Attachment #2).

Disposal Fees in Adjacent Jurisdictions:

Currently, the disposal fees at the Glenmore Landfill are significantly lower than at many nearby jurisdictions (see Attachment #3).

Internal Circulation:

Director, Civic Operations
Director, Financial Services

Legal/Statutory Authority:

Provincial Legislation requires that Closure/Post-Closure Funding be established as a reserve. This has been included in the Solid Waste Management financial model.

Legal/Statutory Procedural Requirements:

The Community Charter requires that the City must consult with Interior Health (IH) regarding solid waste bylaw changes. IH have indicated that they have no concerns.

Financial/Budgetary Considerations:

Bylaw No. 10565 being Amendment No. 5 to the Solid Waste Management Regulation Bylaw No.10106 proposes fee increases (Attachment #1). Internal borrowing will be needed from 2013-2016 to cover cash flow shortfalls during the next phase of capital expansion.

External Agency/Public Comments:

Both formal communication and meetings were held over the last year with customers of the Glenmore landfill including the Regional District of the Central Okanagan, West Kelowna, Peachland, Westbank First Nation and Lake Country (Technical Advisory Committee).


Local governments need ample lead time to ensure consideration of these changes in their 2012 and 2013 budget cycles. All local government customers of the regional waste service will be advising

their customers of rate changes as soon as possible. The RDCO Waste Reduction Office will prepare a news release to notify customers of the tip fee changes to come into effect January 1, 2012.


Considerations not applicable to this report:

- Personnel Implications:
- Legal/Statutory Procedural Requirements:
- Existing Policy:
- Community & Media Relations Comments:
- Alternate Recommendation:

Submitted by:



R. Cleveland, Director, Infrastructure Planning

Approved for inclusion:  J. Paterson, General Manager, Community Sustainability

- Attachment 1: Tip Fee Comparisons
- Attachment 2: Solid Waste Management By-Law Schedule Changes (By-law 10565)
- Attachment 3: 2011-2013 Residential and Tip Fees Changes

- cc:
- General Manager, Community Sustainability
 - General Manager, Community Services
 - Director, Financial Services
 - Director, Civic Operations
 - Director, Community & Media Relations
 - RDCO, Waste Reduction Office



ATTACHMENT #1

BYLAW NO. 10565

Amendment No. 5 to the Solid Waste Management Regulation Bylaw No. 10106

The Council of the City of Kelowna, in open meeting assembled, enacts as follows:

1. THAT SCHEDULE "B" - CURBSIDE PICK UP LIMITS AND COLLECTION FEES of the "Solid Waste Management Regulation Bylaw No. 10106" be amended by:

- a) deleting in Section 2 the paragraph that reads:

"\$176.82 per year, for each individual *Collection and Solid Waste Reduction Service fee* and an additional \$72.00 per year *Large Cart Fee* for each individual *Residential Dwelling Premise* using the 240 litre Cart collection service for *Garbage* as per section 2.2.15. Notwithstanding this provision, where a waiver of service has been approved pursuant to section 2.1 of this bylaw, a *Collection Fee* shall not be levied, however a *Solid Waste Reduction Services Fee* shall be levied for landfill disposal costs, waste reduction activities, recycling depot and recycle processing facility operations. This fee for *Solid Waste Reduction Services* is set at \$89.42 per year for each *Residential Dwelling Premise*."

And replacing it with:

"\$187.92 for 2012 and \$197.30 per year starting in 2013, for each individual *Collection and Solid Waste Reduction Service fee* and an additional \$72.00 per year *Large Cart Fee* for each individual *Residential Dwelling Premise* using the 240 litre Cart collection service for *Garbage* as per section 2.2.15. Notwithstanding this provision, where a waiver of service has been approved pursuant to section 2.1 of this bylaw, a *Collection Fee* shall not be levied, however a *Solid Waste Reduction Services Fee* shall be levied for landfill disposal costs, waste reduction activities, recycling depot and recycle processing facility operations. This fee for *Solid Waste Reduction Services* is set at \$99.04 for 2012 per year and \$108.42 per year for starting in 2013 for each *Residential Dwelling Premise*. *Collection Fee* portion of the *Collection and Solid Waste Reduction Service Fee* is \$88.88."

- b) Deleting in Section 2.4 the fee "\$89.42" after the words "to the annual Solid Waste Reduction Services fee of" and replacing it with "\$99.04 in 2012 per year and \$108.42 per year starting in 2013."

2. AND THAT SCHEDULE "E" - SANITARY LANDFILL/RECYCLING FEES of the "Solid Waste Management Regulation Bylaw No. 10106" be amended by:

- a) Deleting sub-section (e) in its entirety and replacing it with the following:

"(e) *Yard Waste:*

- | | | | |
|------|-----------------------------|----------------|----------------------------|
| (i) | up to 20 cm (8 in) diameter | - under 250 kg | No Charge |
| | | - over 250 kg | \$ 40.00 per metric tonne |
| (ii) | over 20 cm (8 in) diameter | | \$ 65.00 per metric tonne" |

b) Deleting sub-section (k) in its entirety and replacing it with the following:

“(k) Carcasses weighing under 100 kg \$65.00 per metric tonne”

c) Deleting sub-section (m) in its entirety and replacing it with the following:

“(m) All other residential *Garbage* not included above: \$65.00 per metric tonne”

d) Deleting sub-section (n) in its entirety and replacing it with the following:

“(n) Any material determined by the *Director of Civic Operations* to require burial in an area away from the surcharge, over and active face above any other required” \$50.00 per metric tonne

e) Deleting in Section 2 the following:

“Utility Trailer, or Vehicles up to 3/4 ton	\$6.00
Tandem Axle Trailer	\$40.00
Side Dump Collector Truck, less than 50m ³	\$75.00”

And replace it with:

“Utility Trailer, or Vehicles up to 3/4 ton	\$8.00 for January 1, 2012
Utility Trailer, or Vehicles up to 3/4 ton	\$10.00 for January 1, 2013
Tandem Axle Trailer	\$50.00
Side Dump Collector Truck, less than 50m ³	\$100.00”

f) Deleting in Section 3 the following:

- “\$1.00 per *Standard Garbage Bag* up to six (6) *Standard Garbage Bags*
- \$6.00 per load of *Garbage* for loads weighing up to and including 250 kg
- \$50.00 per metric tonne of *Garbage* for loads weighing greater than 250 kg”

And replacing it with:

- “\$2.50 per *Standard Garbage Bag* up to six (6) *Standard Garbage Bags*
- \$8.00 per load of *Garbage* for loads weighing up to and including 250 kg effective January 1, 2012 and \$10.00 per load of *Garbage* for loads weighing up to and including 250 kg effective January 1, 2013
- \$65.00 per metric tonne of *Garbage* for loads weighing greater than 250 kg”

4. This bylaw shall come into force and take effect as of January 1, 2012.

5. This bylaw may be cited for all purposes as "Bylaw No. 10565 being Amendment No. 4 to the Solid Waste Management Regulation Bylaw No. 10106."

Read a first, second and third time this

Deposited with the Minister of Health, this

Adopted by the Municipal Council of the City of Kelowna this

Mayor

Clerk

ATTACHMENT #2: 2011-2013 Residential and Tip Fee Changes

Fee Component	Current Bylaw	Year 2012	Year 2013
Collection Fee	\$87.40	\$88.88	\$88.88
SWRS Fee:	\$89.42	\$99.04	\$108.42
Total	\$176.82	\$187.92	\$197.30
Changes		\$ 11.10	\$ 9.38

The "Collection Fee" component of the bylaw is the curbside collection service.

The "Solid Waste Reduction Fee" (SWRS) component of the by-law covers off the following services:

- 1) Waste Reduction Office Operation and Programs
- 2) Recycled Material Processing
- 3) Landfill Disposal (burial, capital and operations)
- 4) Cart Financing

TIP FEE CHANGES

Fee Component	Current By-law	2012	2013
Self Haul Yard Waste Up to 20 cm diameter	250 kg No charge Over 250kg, \$25/tonne	250 kg No charge Over 250 kg, \$40/tonne	250 kg No charge Over 250 kg, 40/tonne
Self Haul Yard Waste Over 20cm diameter	\$50/tonne	\$65/tonne	\$65/tonne
Self Haul Garbage	\$6/load	\$8/load	\$10/load

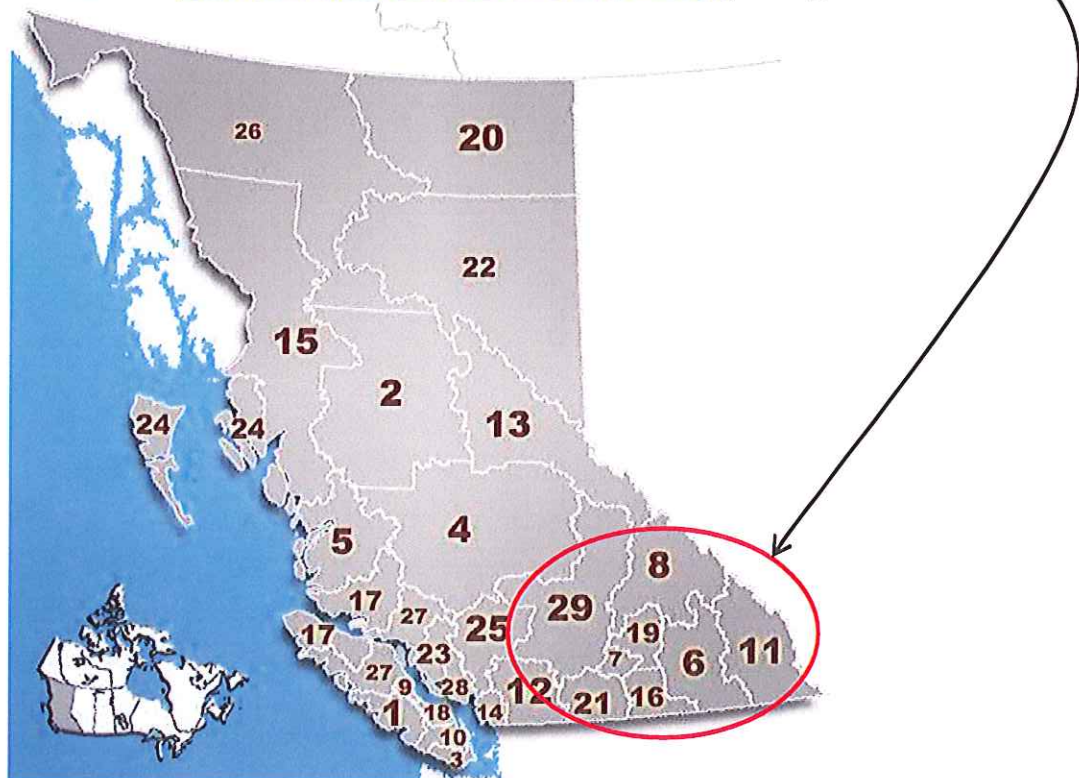
ATTACHMENT #3: Landfill Tip Fee Comparisons (MSW)

	Current			Proposed for 2012			Landfill capacity (yrs)
	Gate (\$/mT)	Min charge (flat rate)	DLC mixed load (\$/mT)	Gate (\$/mT)	Min charge (flat rate \$)	DLC mixed load (\$/mT)	
CORD	55	6	150	65	10	150	70
CSRD	70	5	70	70	5	140	50-70
RDEK	0	0	200				
TNRD	60	5	60	60	5	60	40-50
NORD	85	3	155	86	3	156	23
RDCK	80	5	260	80	5		35
RDOS	55	5	125/200	55	5	125/200	40-50
RDKB	80	7	130	85	7	130	50
Metro	92-101						

Vancouver 97 (Green Waste \$65)
 Edmonton 68 (Green Waste \$35)
 Calgary 85
 New York 200

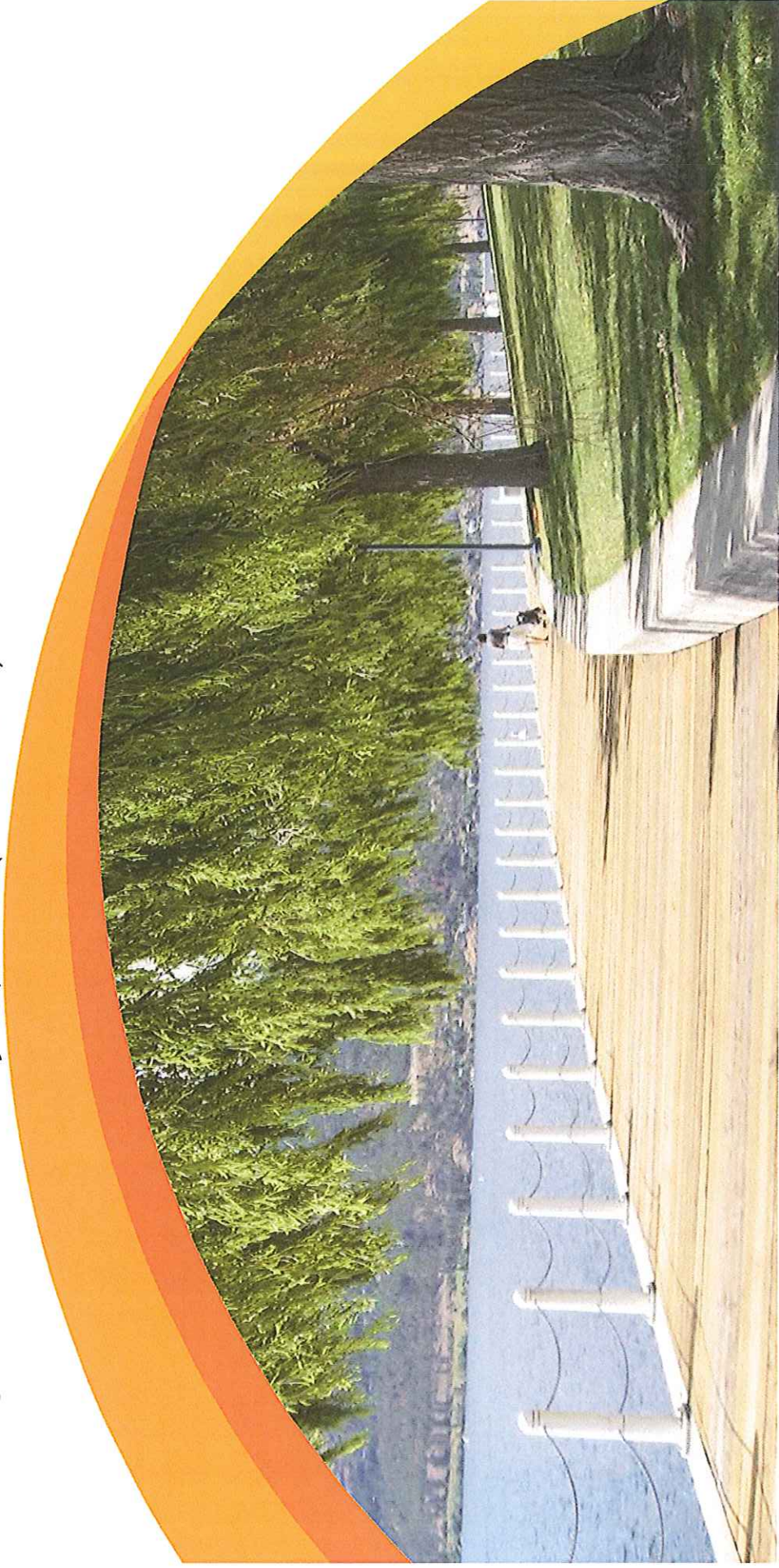
Note: Red shows planned increase

- 6 -RDCK [Regional District of Central Kootenay \(Nelson\)](#)
- 7 -RDCO [Regional District of Central Okanagan \(Kelowna\)](#)
- 8 -CSRD [Columbia-Shuswap Regional District \(Salmon Arm\)](#)
- 11 -RDEK [Regional District of East Kootenay \(Cranbrook\)](#)
- 16 -RDKB [Regional District of Kootenay Boundary \(Trail\)](#)
- 19 -RDNO [Regional District of North Okanagan \(Coldstream\)](#)
- 21 -RDOS [Regional District of Okanagan-Similkameen \(Penticton\)](#)
- 29 -TNRD [Thompson-Nicola Regional District \(Kamloops\)](#)



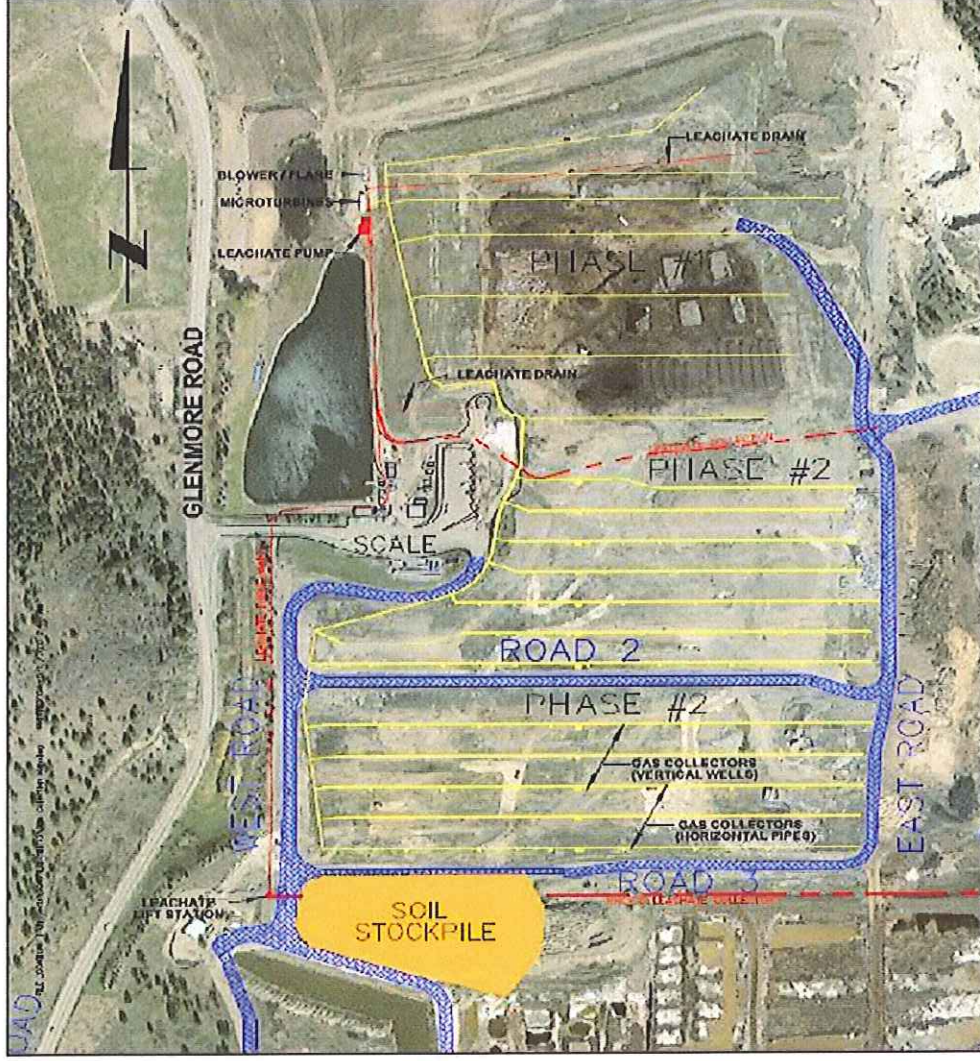
**AMENDMENT NO. 5 TO THE SOLID
WASTE MANAGEMENT REGULATION
BYLAW NO. 10106**

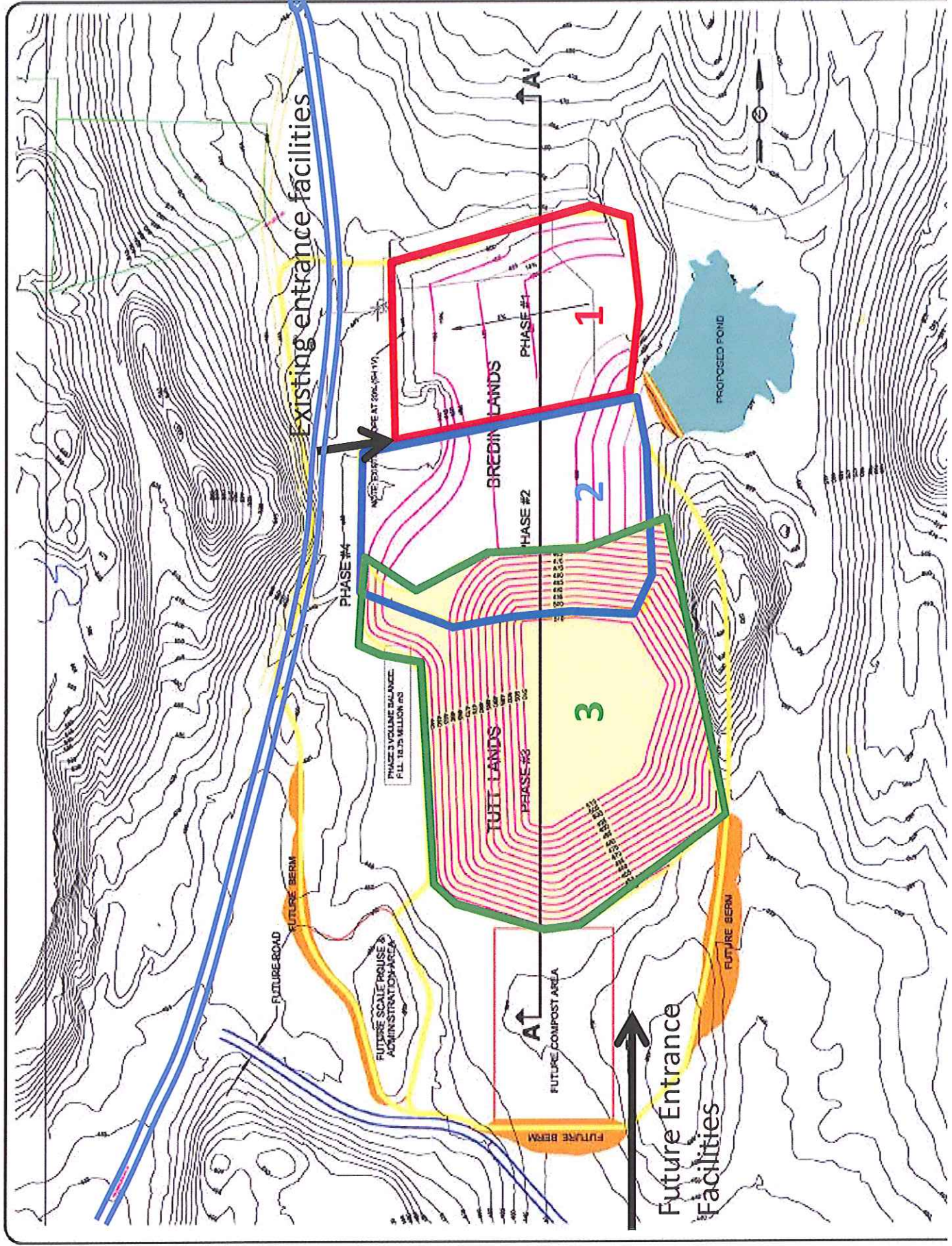
Report to Council: July 11, 2011 (SR#200216)



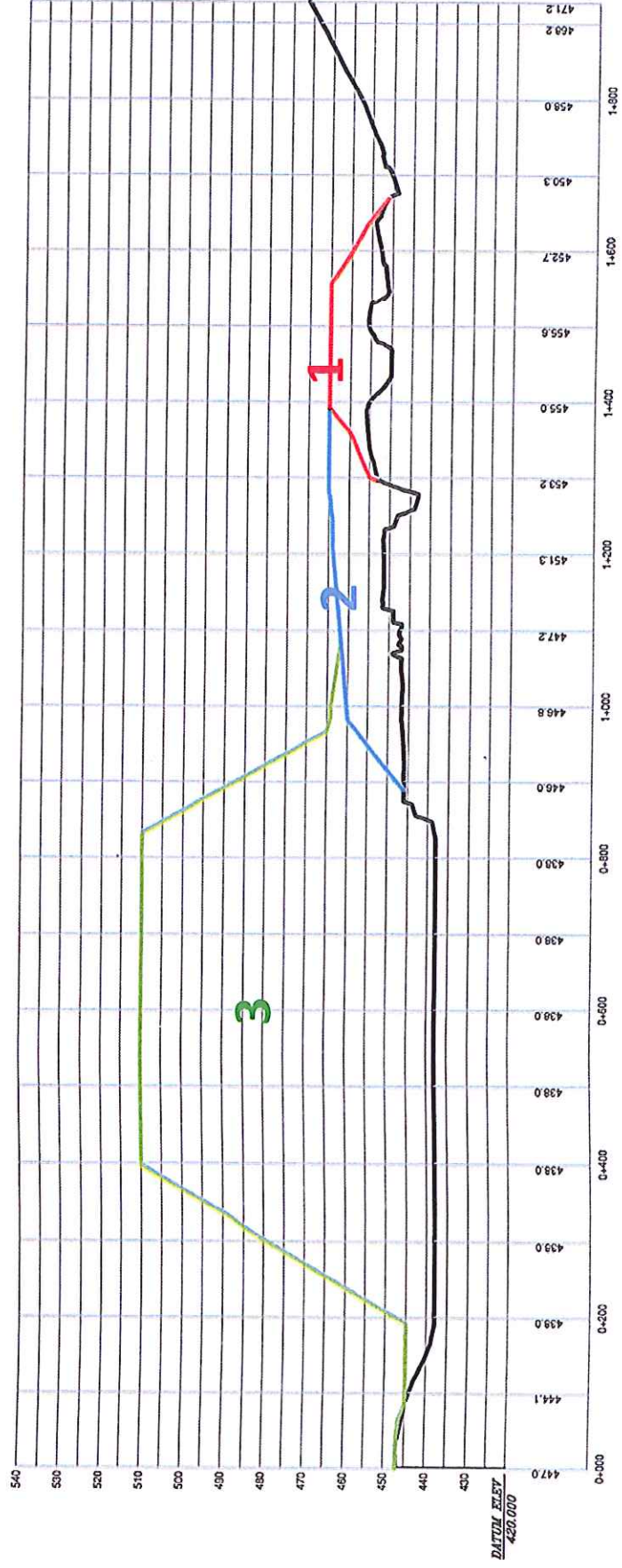
Glenmore Landfill Planning

- ▲ Site Development Planning (1993, 2001)
- ▲ **Comprehensive Site Development Plan- 2008**
- ▲ Solid Waste Management Plan- 2008
- ▲ Gas Utilization Plan- 2010
- ▲ **Financial Plan- 2010**
- ▲ New Admin-road entrance- 2011-13





LANDFILL BURIAL CROSS-SECTION



SOUTH

NORTH

Note: vertical scale exaggerated by Factor of 5

SOLID WASTE SERVICES

- ▶ Landfill for all customers
 - ▶ Burial (includes landfill gas management)
 - ▶ Recycling (white goods, metal, etc)
 - ▶ Wood and Yard Waste processing/composting
- ▶ Residential Recycling
- ▶ Residential curb side collections
- ▶ Waste Reduction Office programs and operations

FINANCIAL MODEL OBJECTIVES

- ▶ **User-Pay full-cost of each service**
 - ▶ Land, operations, capital equipment & facilities, regulatory compliance, closure/post-closure, facility replacement
- ▶ **Provide transparency/accountability to City & Regional customers**
- ▶ **Plan financial viability through service life**
- ▶ **Calibrate “Level of Service” and “Cost”**
- ▶ **Efficiency benchmarking and improvement**

TECHNICAL MEMORANDA/COST MODEL

- ▶ Comprehensive Site Development Plan (2008)
- ▶ Waste Import (2008-2009)
- ▶ Capital Plan (2009; revised 2011)
- ▶ Operating Cost Review (2009)
- ▶ Solid Waste Services Reduction Fee review (2009)
- ▶ Landfill Cost Model (2009-2010)
- ▶ Reserve Funds (2010)
- ▶ Glenmore Landfill Closure-Post closure(2010)
- ▶ **Cost of Service** (May 2011)
- ▶ **Solid Waste Financial Model** (May 2011)

COST OF SERVICE BALANCE SHEET (2010)

SERVICE/PROGRAM	REVENUES	COSTS	DEFICIT/(SURPLUS)
WASTE REDUCTION & EDUCATION			
WRO Operations	\$596,291	\$426,988	(\$169,303)
COLLECTION SERVICES			
Residential Curbside Collection	\$4,674,727	\$4,687,542	\$12,815
Regional Depot Program (RDCO)	\$352,807	\$330,994	(\$21,813)
PROCESS RESIDENT'L RECYCLING			
Processing contracts (RDCO)	\$1,513,861	\$1,055,386	(\$458,475)
GLENMORE LANDFILL			
Disposal Operation & Mgmt	\$6,552,648	\$3,127,361	(\$3,425,287)
Recycling activities	\$637,499	\$945,437	\$307,938
Wood/yard waste composting	\$671,220	\$1,336,005	\$664,785
TOTAL	\$14,999,053	\$11,909,713	\$3,089,340

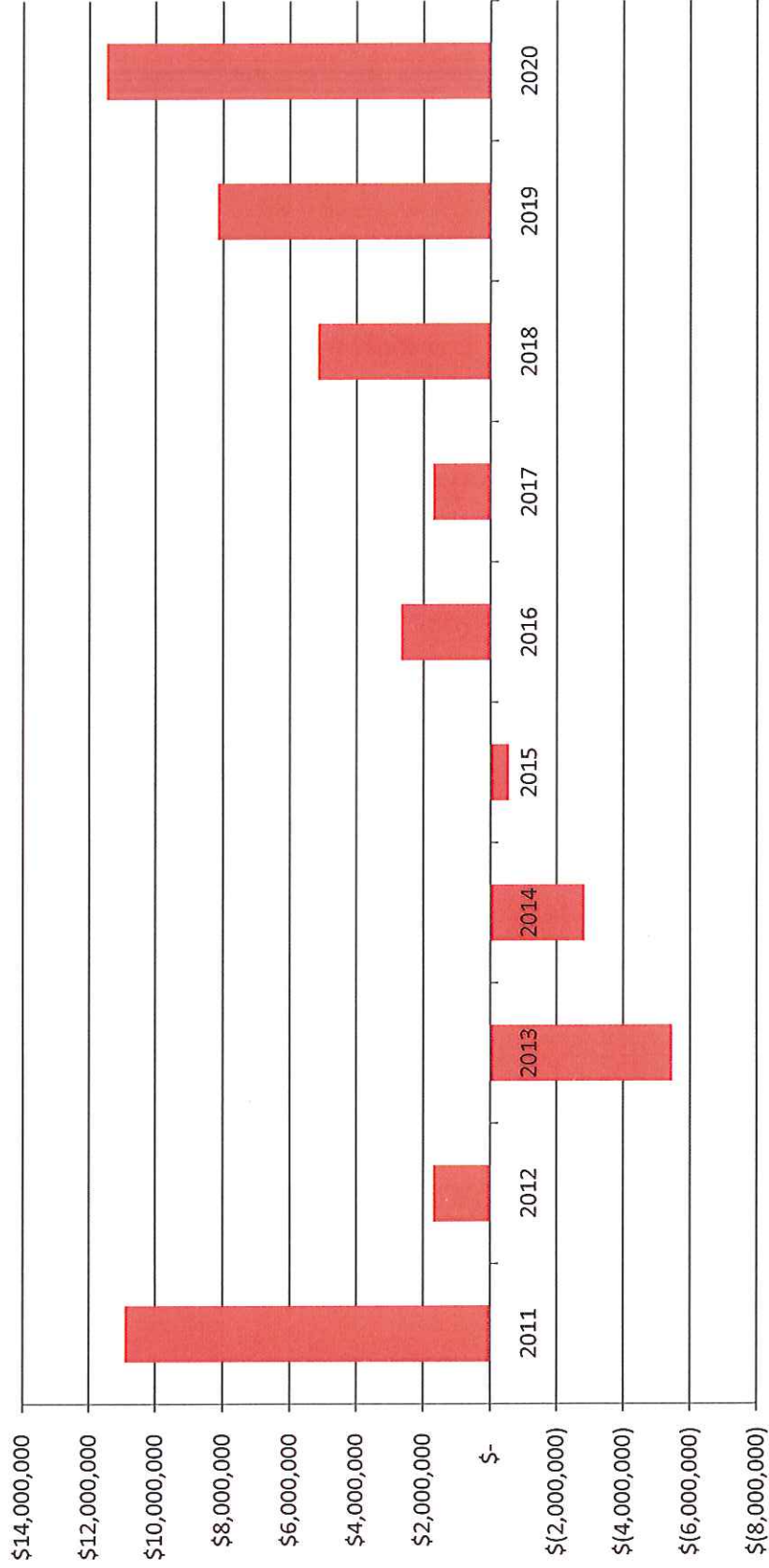
Surplus to Reserve for non-routine capital/equip, landfill replacement, reg. change, rate stability

CAPITAL SPENDING FORECAST

ACCOUNT	2011-2020	2021-2030	TOTAL
Routine Site Development	\$7,567,670	6,000,000	\$13,567,670
Special Equipment	\$775,000	\$1,500,000	\$2,275,000
Major Extraordinary Capital	\$32,300,230	\$10,500,000	\$42,800,230
Closure/Post-Closure	\$2,025,000	\$750,000	\$2,775,000
TOTAL	\$42,667,900	21,250,000	\$61,417,900

PROJECTED RESERVE CASH FLOW

WITH PROPOSED FEE INCREASES



Shows impact of non-routine capital on operating reserves

ISSUES: CURRENT BYLAW

- ▶ Capital expansion (\$50 million)
- ▶ Self-haul yard waste
- ▶ Self-haul mixed waste
- ▶ Curbside collection
- ▶ Residential disposal rate

ISSUES: FUTURE BYLAW

- ▶ Regulatory change reserve
- ▶ Rate stabilization fund (recycle market, etc)
- ▶ Facility replacement

RESIDENTIAL CHARGE CHANGES

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TIP FEE COMPARISONS

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