



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: November 16, 2007
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TO: Standing Committee on City Services and Budgets
FROM: General Manager of Engineering Services
SUBJECT: 2008 Solid Waste Utility (SWU) Fees and By-Law Changes

RECOMMENDATION

A.

- i) THAT the 2008 garbage collection fees be established as follows:

<u>Cart Size</u>	<u>2008 Fee</u>
75 litres	\$75
120 litres	\$88
180 litres	\$105
240 litres	\$123
360 litres	\$157

- ii) THAT the 2008 recycling collection point fee be decreased to \$9, and the 2007 per dwelling unit rate for recycling collection of \$10 remain unchanged for 2008.

- iii) THAT the 2008 yard waste collection fees be established as follows:

<u>Cart Size</u>	<u>2008 Fee</u>
120 litres	\$44
180 litres	\$49
240 litres	\$55
360 litres	\$65

- B. THAT Vancouver Landfill demolition material tipping fees be increased from \$470 to \$520 for each tandem axle trailer, and from \$570 to \$630 for each tridem axle trailer to reflect market rates.
- C. THAT Council approve the Automated Cart capital budget closeout as discussed in this report.
- D. THAT the garbage disposal fee at the Vancouver Landfill and Vancouver South Transfer Station for loads greater than 900 kilogram be increased from \$65/tonne to \$66/tonne effective January 1, 2008, if a Metro Vancouver proposed regional tipping rate increase of the same amount receive their Board's approval on November 30, 2007.
- E. THAT the Director of Legal Services be instructed to bring forward for enactment the revisions to the Solid Waste By-law substantially as referred to in these Recommendations and substantially as set out in Appendix A.

CONSIDERATION

The following rate schedules (F) are presented for CONSIDERATION as an alternative to Recommendation A if Council wants to fully reflect the *estimated* savings in the 2007 Solid Waste Utility budget as a result of the labour disruption in the 2008 Solid Waste Collection fees:

- F.
 - i) THAT the 2008 garbage collection fees be established as follows:

<u>Cart Size</u>	<u>2008 Fee</u>
75 litres	\$68
120 litres	\$81
180 litres	\$97
240 litres	\$114
360 litres	\$148

- ii) THAT the 2008 recycling collection point fee be decreased to \$8, and the 2007 per dwelling unit rate for recycling collection of \$10 remain unchanged for 2008.
- iii) THAT the 2008 yard waste collection fees be established as follows:

<u>Cart Size</u>	<u>2008 Fee</u>
120 litres	\$37
180 litres	\$42
240 litres	\$46
360 litres	\$54

GENERAL MANAGER'S COMMENTS

Council has instructed staff to report on the savings as a result of the 2007 strike in the preparation of the 2008 budget, with a view to Council considering whether to return these savings to taxpayers through a property tax reduction for 2008. Council's instruction on this matter did not specifically include the rates charged by the Solid Waste, Sewer, or Water Utilities, however in keeping with the intent of that Council resolution we have presented similar information regarding the Solid Waste Utility in this report, and prepared an alternative fee schedule for Council's consideration.

Staff do not recommend that Council approve these reduced rates.

It is not unusual, in any Utility that the actual expenditures in a year vary from the budget at the beginning of the year. In order to maintain the intent that the Utilities are completely self funded it is normal to maintain a reserve within the financial structure of the Utility to absorb these surpluses or deficits on an annual basis. The Sewer and Water Utilities have rate stabilization reserves, and similarly the Solid Waste Utility uses the Solid Waste Capital Reserve as a rate stabilization fund. These reserves allow the Utilities to provide relatively stable rate structures that generally move with the rate of inflation or other long term cost escalations without unpredictable short term fluctuations.

As explained in the body of this report separate balances are tracked for each of our three collection programs. Two of three would have been in a deficit position at the end of 2007 if not for the strike, and the 2008 rates would have been adjusted to catch up on this deficit. Due to the strike there is an expected overall surplus of \$1.2 million on the three programs. The rates recommended by staff use this surplus to moderate the rates over the next few years. The alternative presented in Consideration item F would result in reductions in the 2008 rates for garbage and for yard trimmings despite budget increases. This would necessitate significant rate increases for 2009 to catch up and would be inconsistent with the past practice of stabilizing rates over a multi year time frame.

COUNCIL POLICY

On May 3, 1994, Council agreed to support the Greater Vancouver Solid Waste Management Plan, which includes the need for recycling and yard waste programs, as well as a user pay principle for solid waste programs.

On October 7, 1997, Council approved the implementation of the Solid Waste Utility effective January 1, 1998.

On January 29, 2004, Council approved the implementation of automated garbage collection service beginning in 2005, and automated yard trimmings collection beginning in 2006.

On September 30, 2004, Council adopted various Garbage Service and Yard Trimmings Administrative Policies for automated collection, including but not limited to minimum service allocations and fees for change in service levels.

On December 15, 2005, Council approved the 2006 annual fees for the automated garbage collection program.

On December 12, 2006, Council approved the 2007 annual fees for the automated yard trimmings collection program.

Fee increases require Council approval.

Closeout of completed capital projects, whose variances exceed \$50,000 or 15% of the approved budgets, require Council approval.

SUMMARY

Costs within the Solid Waste Utility (SWU) are recovered through user fees rather than from property taxes. While property taxes are based on assessed value, utility fees are based on a user pay concept. The SWU is therefore self funded and independent of the City's operating budget. A surplus (savings) or deficit (cost overrun) accrued in a given year is normally reflected in the following year's utility rates.

Solid waste utility rates are reviewed annually to ensure that our fees recover the full cost of providing services or are equivalent to competitive charges where the fee is of a market nature, such as for demolition material tipping fees at the Vancouver Landfill. A comparison of the 2007 fees to those recommended for 2008 are summarized as follows:

Garbage Collection Fees:

Garbage Collection Service	2007 Fees	Recommended 2008 Fees	\$ Change
75 litre cart service	\$70	\$75	+\$5
120 litre cart service	\$82	\$88	+\$6
180 litre cart service	\$99	\$105	+\$6
240 litre cart service	\$115	\$123	+\$8
360 litre cart service	\$147	\$157	+\$10

The weighted average increase to homeowners for 2008 garbage collection fees is about \$6. This increase is primarily due to inflation in wage, fuel and equipment costs and also disposal costs.

Recycling Collection Fees:

For 2008 it is recommended that recycling collection fee be reduced by \$1 per collection point (i.e. from \$10 per stop in 2007 to \$9 in 2008). This recommended fee incorporates a small forecasted deficit to draw down an accumulated surplus that has accrued over the past three years in this program.

Yard Trimmings Collection Fees:

Yard Trimmings Collection Service	2007 Fees	Recommended 2008 Fees	\$ Change
120 litre cart service	\$43	\$44	+\$1
180 litre cart service	\$47	\$49	+\$2
240 litre cart service	\$52	\$55	+\$3
360 litre cart service	\$62	\$65	+\$3

The weighted average increase to homeowners for the 2008 yard trimmings collection fees is about \$2. Similar to the garbage collection cost drivers, this increase is primarily due to inflation in wage, fuel and equipment costs and also composting costs.

Tipping Fees:

Staff recommend tipping fees for demolition materials accepted at the Vancouver Landfill be increased from \$430 to \$470 for each tandem axle trailer load and from \$520 to \$570 for each tridem axle trailer load to reflect market conditions.

Staff also recommend that the commercial tipping fee charged at the Vancouver Landfill (VLF) and Vancouver South Transfer Station (VSTS) for loads greater than 900 kilogram be increased from \$65/tonne to \$66/tonne to reflect a proposed regional tipping rate increase, subject to Metro Vancouver Board approval of this same rate increase for regional facilities effective January 1, 2008.

This report also presents as a Consideration for Council, 2008 Solid Waste Utility rates that are reflective of estimated cost savings in 2007 as a result of the recent labour disruption. These rates are based on estimated savings resulting from the avoidance of assumed costs if there had not been a strike, and are therefore subject to uncertainty. Adopting these rates for 2008 would be a departure from the financial principles established for setting annual Utility rates. Those principles include using past years' surpluses to offset future years' cost increases to maintain rate stability. They also involve managing cumulative deficits within the Utility by drawing them down before they become significant and trigger large rate increases in future years.

PURPOSE

The purpose of this report is to obtain Council authority to:

- set 2008 Solid Waste Utility fees;
- closeout the Automated Cart capital budget; and
- amend the Solid Waste By-law to reflect fee changes and housekeeping issues.

BACKGROUND

The way the City has delivered solid waste services has changed significantly in the ten years. Since the formation of the Solid Waste Utility (SWU) in 1998, the City has implemented apartment recycling and yard trimmings collection programs. Residential garbage collection

has been reduced from about 76,000 tonnes per year to about 64,000 tonnes per year in the same period. This decline can be attributed to improvements in our recycling program and the implementation of automation of yard trimmings collection, which is expected to divert about 19,000 tonnes from landfill in 2008.

The establishment of the SWU in 1998 also resulted in a significant change in the way solid waste costs are allocated. Within a utility the City charges user fees rather than utilizing property taxes to recover the cost of services. While property taxes are based on assessed value, utility fees are based on a user pay concept. The SWU is therefore self funded and independent of the City's operating budget. This "pay as you throw" model of cost recovery achieves an appropriate and equitable balance of costs with level of service, and is consistent with the objectives of the Regional Solid Waste Management Plan. A unit pricing mechanism, such as that which is assigned to the automated garbage collection program, also provides an incentive to divert waste since those who generate more waste pay higher fees for collection and disposal services.

Another advantage of a Utility is that any annual surpluses or cost savings that may occur in a particular year are used to offset occasional deficits. This allows rate stability whenever possible.

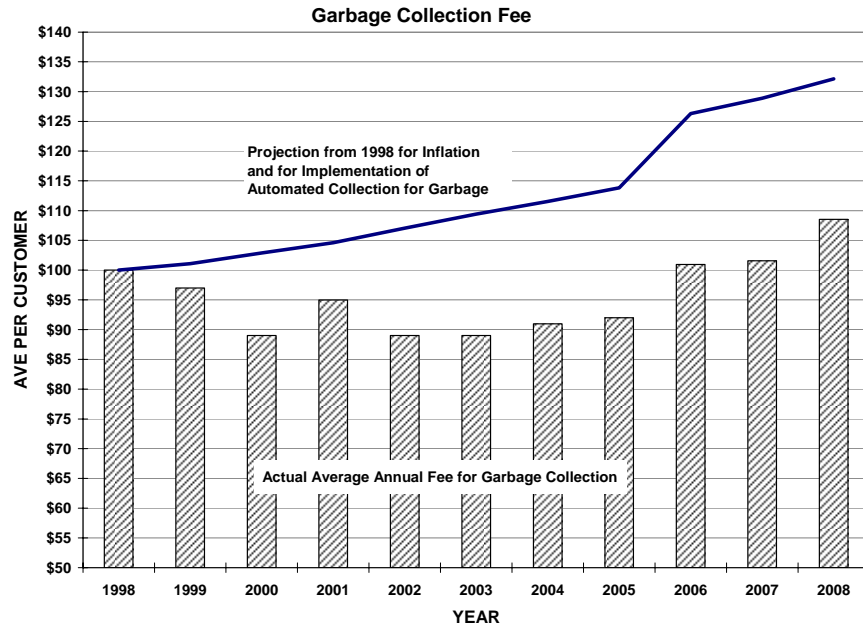
The implementation of automated garbage collection was completed in January of 2006. Automated yard trimmings collection was implemented between March and June of 2006.

DISCUSSION

2008 Solid Waste Utility Fees

Garbage Collection

The 2008 recommended expenditure budget for garbage collection is \$10,149,100 which is a 6.0% increase from 2007. This increase is primarily due to inflation in wage, fuel and equipment costs and also disposal costs. However, as illustrated in the following chart, this cost increase is significantly less than if the garbage collection rate followed the general rate of inflation over the past ten years since the inception of the Solid Waste Utility. Further, the recommended rate for 2008 is now in line with what was originally projected at the start of the automated collection program.



The 2008 budget for garbage collection is reflected in the fees noted in Table 1.

Table 1 - Summary of 2007 - 2008 Garbage Collection Fees

Garbage Collection Service	2007 Fees	Recommended 2008 Fees	\$ Change
75 litre cart service	\$70	\$75	+\$5
120 litre cart service	\$82	\$88	+\$6
180 litre cart service	\$99	\$105	+\$6
240 litre cart service	\$115	\$123	+\$8
360 litre cart service	\$147	\$157	+\$10

Recycling Collection

The 2008 recommended net expenditure budget for recyclables collection is \$3,739,300 which is a 1.6% decrease from 2007. Accordingly, staff recommend that the collection point stop fee be reduced by \$1 (i.e. from \$10 in 2007 to \$9 in 2008).

Cost increases in this program forecasted for 2008 due primarily to inflation are expected to be offset by increased revenues from the sale of recyclables. This revenue is expected to continue at the 2007 level due to higher commodity prices for old newsprint. Commodity prices can fluctuate considerably from year to year. Therefore, the annual budget for recyclables' revenues is based on a five-year average to provide stability to the fees charged to homeowners.

The 2008 budget for recycling collection is reflected in the fees noted in Table 2.

Table 2 - 2008 Recommended Recycling Collection Fees

Recycling Collection Service	2007 Fees	Recommended 2008 Fees	\$ Change
Single dwelling unit property	\$20	\$19	-\$1
Multiple dwelling unit property			
- per dwelling unit	\$10	\$10	-
- per stop	\$10	\$9	-\$1

Yard Trimmings Collection

The 2008 recommended expenditure budget for yard trimmings collection is \$4,423,400 which is a 2.3% increase from 2007. The increase is due to inflation for wage and truck costs. As in 2007, the 2008 budget includes \$73,000 for the operation of two additional rear loader packer trucks. These additional trucks are necessary to collect the increased volumes of yard waste being set out by residents. The yard waste collected has increased from 14,000 tonnes in 2005 to a projected 19,000 tonnes in 2008.

The 2008 budget for yard trimmings collection is reflected in the fees noted in Table 3.

Table 3- Summary of 2007 - 2008 Yard Trimmings Collection Fees

Yard Trimmings Collection Service	2007 Fees	Recommended 2008 Fees	\$ Change
120 litre cart service	\$43	\$44	+\$1
180 litre cart service	\$47	\$49	+\$2
240 litre cart service	\$52	\$55	+\$3
360 litre cart service	\$62	\$65	+\$3

Demolition Materials Tipping Fee

Wood waste demolition materials are accepted at the VLF primarily as construction material for road building and re-grading previously filled portions of VLF for run-off and end-use purposes. Demolition materials meeting the City's specifications are accepted at a preferential rate compared to garbage disposal fees. Those rates have historically been set at a level to allow flexibility in meeting demand for supply of the material for landfill construction. A review of the fees charged at the private demolition sites indicates that the City can increase its fees by about 10% and still receive sufficient material for re-grading purposes. The recommended fees are \$520 for each tandem axle trailer and \$630 for each tridem axle trailer to reflect market rates. This compares to \$470 for each tandem axle trailer load and \$570 for each tridem axle trailer load in 2007.

Garbage Tipping Fee

A regional tipping rate target of \$66/tonne effective January 1, 2008 (an increase of \$1 compared to 2007) was recommended by Metro Vancouver staff at the July 12, 2007 Finance Committee Meeting and was subsequently approved at Metro Vancouver's July Board meeting. Final approval of this regional rate increase is scheduled for the Greater Vancouver Sewerage and Drainage District Board meeting on November 30, 2007, as part of Metro Vancouver's 2008 budget process.

Historically, the City sets the tipping fee for Vancouver and Delta garbage dropped off at the VLF and VSTS to match regional rates. This provides stability in terms of waste flows within the regional waste management system. Accordingly, staff recommend Vancouver's garbage drop off rate for loads greater than 900 kg also increase from \$65/tonne to \$66/tonne subject to Metro Vancouver's Board approval of the 2008 regional rate scheduled for November 30, 2007.

Solid Waste By-law Changes

In addition to fee and housekeeping changes in the Solid Waste By-law for 2008, a change is necessary to bring the by-law inline with recently expanded regional disposal ban requirements. This proposed change is in response to the City's commitment to participating in regional waste management planning and the Zero Waste Challenge, and will further encourage waste reduction and recycling in Vancouver.

For 2008, Metro Vancouver has expanded the list of materials banned from disposal as garbage as part of their review of the regional Solid Waste Management Plan. As of January 1, 2008, the following items will be banned from disposal as garbage in the region:

- yard trimmings
- all blue box recyclables (current ban is paper and cardboard only)
- material subject to provincially required stewardship programs, including:
 - paints, solvents, and flammable liquids, gasoline and pesticides
 - vehicle tires
 - oil, oil filters and empty containers
 - lead acid (car) batteries
 - medications/pharmaceuticals
 - electronic waste including personal computers, printers and TVs.

Garbage will continue to be randomly inspected at all regional disposal sites for high percentages of banned materials under a Metro Vancouver enforcement program. Loads containing more than 5 per cent (by volume) of banned materials are assessed a 50 per cent surcharge.

Last year the Council approved a Solid Waste By-law amendment to ban yard trimmings and blue box recyclables from collection as garbage in Vancouver with a limit of 10 per cent (by volume). So that the Solid Waste By-law reflects expanded regional waste disposal ban requirements, staff recommend the Solid Waste By-law be amended accordingly. This includes listing materials subject to provincially required stewardship programs as materials banned from collection as garbage in Vancouver, and reducing the tolerance level for banned material from 10 per cent to 5 per cent by volume.

Also, to increase the availability of recycling options in Vancouver, it is recommended that the Solid Waste By-law be amended to incorporate the provision of City yard trimmings collection service to non-residential properties upon request.

A draft of Solid Waste By-law amendments is shown in Appendix A.

Automated Cart Capital Account Closeout

The capital budget to purchase carts for the automated collection program was \$13,490,000. The majority of the cart purchases were funded by a loan from the Solid Waste Capital Reserve, and the balance from a transfer from a surplus in the Solid Waste Capital Reserve. This budget is underspent by \$3,425,000, primarily due to the appreciation of the Canadian dollar versus the US dollar. The savings will reduce the annual loan payments by \$300,000 per year from what was initially budgeted. Since cart purchases for this program are now complete, the capital budget account can be closed out.

Solid Waste Utility Cost Savings Resulting From 2007 Job Action

As indicated in Table 4 below, cost savings in the 2007 Solid Waste Utility as a result of the recent labour disruption have been estimated as approximately \$1,830,000.

Table 4 - 2007 Estimated Solid Waste Utility Surplus / Deficit

Service	Cumulative Total Prior to 2007	2007 with strike	2007 without a strike	Estimated Savings
Garbage Collection	\$210,000 deficit	\$370,000 surplus	\$500,000 deficit	\$870,000
Recycling Collection (net revenue)	\$281,000 surplus	\$500,000 surplus	\$140,000 surplus	\$360,000
Yard Trimmings Collection	\$466,000 deficit	\$360,000 surplus	\$240,000 deficit	\$600,000
TOTAL	\$395,000 Deficit	\$1,230,000 surplus	\$600,000 deficit	\$1,830,00 savings

This estimate is based on assumed costs if there had not been a strike. Therefore, it is important to note that this is staff's best estimate at the time of writing, and that all operating costs related to catching up with collections because of the strike will not be accurately known until January 2008. Also, as noted in Table 4, without a strike deficits were forecasted in 2007 for the garbage and yard trimmings collection programs due to increased equipment maintenance costs, and garbage and yard trimmings tonnages collected. A minor net surplus was forecasted in 2007 for the recycling program due to stronger commodities markets.

The impact on individual program fees resulting from overall assumed savings of \$1,830,000 from the strike are noted in Table 5 and are presented to Council for consideration.

Table 5 - 2008 Collection Fees Accounting for Estimated Strike Related Surplus / Deficit

Garbage:		Yard Trimmings:	
<u>Cart Size</u>	<u>2008 Fee</u>	<u>Cart Size</u>	<u>2008 Fee</u>
75 litres	\$68	120 litres	\$37
120 litres	\$81	180 litres	\$42
180 litres	\$97	240 litres	\$46
240 litres	\$114	360 litres	\$54
360 litres	\$148		
Recycling:			
Single dwelling unit property	\$18		
Multiple dwelling unit property			
- per dwelling unit	\$10		
- per stop	\$8		

To maximize an assumed savings resulting from the strike, the rates presented to Council for consideration do not take into account a deficit that has accumulated in the Solid Waste Utility prior to 2007. Otherwise, the difference between the rates presented for consideration and those that are recommended would be minor. The cumulative deficit within the Utility would need to be brought forward, which would then cause an increase in subsequent years' rates.

Staff is not recommending the above rates. Instead it is recommended that the \$1,230,000 surplus in 2007 resulting from the strike be used to offset \$395,000 of accumulated prior years' deficit within the SWU. The \$835,000 balance of this surplus would be used to mitigate a 2008 fee increase in all three programs, and an increase in 2009 recycling rates. This budgeting methodology is in keeping with the financial principles of the Utility, is reflected in the 2008 fees recommended in this report, and results in the greatest opportunity for rate stability going forward.

FINANCIAL IMPLICATIONS

A comparison of the 2007 solid waste collection expenditure budget versus the 2008 recommended budget is provided in Table 6:

Table 6 - SWU Expenditure Budget Comparison

Service	2007 Budget	2008 Budget	% Change
Garbage Collection	\$9,578,000	\$10,149,100	+6.0%
Recycling Collection (net)	\$3,799,600	\$3,739,300	-1.6%
Yard Trimmings Collection	\$4,324,600	\$4,423,400	+2.2%
TOTAL	\$17,702,200	\$18,311,800	+3.4%

For 2008, the average homeowner will see an increase of \$7 (weighted average - from \$174 to \$181) in their annual total solid waste collection fees.

CONCLUSION

Based on forecasted 2008 costs, staff recommend that the 2008 SWU fees, commercial tipping fees and demolition tipping fees be adopted as described in this report. Staff also recommend that automated cart capital accounts be closed and the housekeeping changes to the By-law discussed in this report be approved.

PROPOSED CHANGES TO SOLID WASTE AND RECYCLING BY-LAW (NEW TEXT IN ITALICS)

In Part II, add new terms:

“banned material” means yard waste, recyclable materials, and products referred to under the product categories set out in each of Schedules 1, 2, 3, and 4 of Environmental Management Act of British Columbia Recycling Regulation No. 449/2004 and amendments to or replacements of those product categories from time to time,

Add:

6.9 General Yard Trimmings Service

An owner of a non-residential property may request in writing that the City Engineer provide yard waste collection service at the applicable rates set out in Part IV of Schedule B to this By-law.

Amend 7.6 to read:

- (1) No garbage bag, garbage can, or garbage cart from which the City Engineer collects garbage may contain more than *5% banned* material by volume.
- (2) No yard waste cart from which the City Engineer collects yard waste may contain tree limbs larger than 10cm diameter and 0.5m in length.