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ADMINISTRATIVE REPORT

Report Date: November 24, 2009
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VanRIMS No.: 08-2000-20
Meeting Date: December 1, 2009

TO: Vancouver City Council
FROM: General Manager of Engineering Services
SUBJECT: 2010 Solid Waste Utility (SWU) Fees and By-Law Changes

RECOMMENDATION

A.

- i) THAT, for properties that receive garbage cart collection service, the 2010 annual garbage collection fees be established as follows:

<u>Cart Size</u>	<u>2010 Fee</u>
75 litres	\$89
120 litres	\$105
180 litres	\$128
240 litres	\$150
360 litres	\$194

- ii) THAT, for properties that receive garbage can collection service, the 2010 annual garbage collection fees be established at \$61 for each collection point and \$37 for each garbage can allocated or purchased.
- iii) THAT the 2010 annual recycling collection fees for each dwelling unit be established at \$29, except where one or more common collection points, at locations agreed to by the City Engineer are serviced, the rate be established at \$21 for each dwelling unit and the rate for each collection point remain at \$8.

- iv) THAT the 2010 annual yard trimmings collection fees be established as follows:

<u>Cart Size</u>	<u>2010 Fee</u>
120 litres	\$46
180 litres	\$54
240 litres	\$61
360 litres	\$75

- v) THAT the 2010 annual fee for storage of recycling carts on City streets and lanes be established at \$58/cart.
- B. THAT the 2010 garbage disposal fee at the Vancouver Landfill and Vancouver South Transfer Station be established at \$82/tonne with a minimum fee of \$20 during peak hours (Monday to Friday 10:00AM to 2:00PM) and \$10 during non-peak hours (all operating hours excluding Monday to Friday 10:00AM to 2:00PM).
- C. THAT the 2010 yard trimmings material disposal fee be established at \$59/tonne with a minimum fee of \$6 at the Vancouver Landfill and Vancouver South Transfer Station.
- D. THAT the 2010 fee for gypsum deposited separately for recycling be \$150 per tonne with the minimum fee of \$10 for a load comprising of two 4' x 8' (1.22 metres x 2.44 metres) sheets or less at the Vancouver Landfill.
- 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.

GENERAL MANAGER'S COMMENTS

The General Manager of Engineering Services RECOMMENDS approval of A - E.

COUNCIL POLICY

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

On September 30, 2004, Council adopted a fee structure for automated garbage and yard trimmings collection services, including a fixed fee (Service Fee) and a price per unit volume fee (Cart Fee) for each cart.

Solid Waste Utility fees are set annually to recover the full cost of providing services. Fee increases require Council approval.

PURPOSE

The purpose of this report is to obtain Council authority to set 2010 Solid Waste Utility (SWU) fees and amend the Solid Waste By-law.

BACKGROUND

Costs within the SWU are recovered through user fees rather than from property taxes. SWU collections fees are based on a user pay concept, and are made up of both fixed and variable cost components. A surplus (savings) or deficit (cost overrun) accrued in a given year is normally reflected in the following years' utility rates.

DISCUSSION**Collections Fees**

As indicated in the table below, expenditure budget increases are required in 2010 in all three collections programs (garbage, recycling and yard trimmings). Common cost drivers include increased wage rates (\$334,000) and fixed overhead costs including office lease costs (\$185,000). The largest expenditure budget increase is in the recycling program, and is discussed separately below.

Expenditure Budgets

Collections Program	Approved 2009	Recommended 2010	Budget Increase
Garbage	\$11,151,900	\$11,719,900	\$568,000
Recycling	\$4,112,700	\$5,923,500	\$1,810,800
Yard Trimmings	\$4,614,800	\$4,852,600	\$237,800
Total	\$19,879,400	\$22,496,000	\$2,616,600

In addition to 2010 program cost increases it is forecasted that the three collections programs will have an accumulated deficit of about \$3.72 million:

Accumulated Surplus (Deficit)

Collections Program	Actual Dec. 31/08 (\$million)	Projected Dec. 31/09 (\$million)
Garbage	(\$1.96)	(\$1.86)
Recycling	\$1.08	(\$1.13)
Yard Trimmings	(\$0.94)	(\$0.73)
Total	(\$1.82)	(\$3.72)

This deficit is primarily a result of increased recycling collection costs, decreased recycling revenues, increased garbage disposal costs and the reversal of the one-time strike savings. The deficit has accumulated primarily in 2008 and 2009 and has been funded by the Solid Waste Capital Reserve (SWCR), which has a current balance of approximately \$70 million. Annual SWU rates are normally set to fully or partially recover an accumulated program deficit, should one accrue. Large accumulated deficits are typically recovered over multiple years to minimize significant rate increases from one year to the next. For 2009 staff recommend fee increases to reduce the accumulated deficit in each program by one quarter. The remaining deficit will need to be recovered in following years.

If the recommended budget increases are adopted, the average homeowner will see an increase of about \$18 (weighted average) in their annual total solid waste collection fees, compared to 2009 fees.

Looking ahead, it is contemplated that in 2010 the City will begin collecting food waste with yard trimmings. It is expected that this new program will involve operational changes, possibly including a change to weekly collection of yard trimmings with food waste and bi-weekly garbage collection. SWU fees presented in this report reflect estimated 2010 costs for

existing solid waste collection programs and frequencies. Potential costs and/or savings resulting from a food waste composting program will be reflected in future SWU fees, and will be the subject of a future report to Council.

Garbage Collection

The expenditure budget increase for this program is driven primarily by higher per tonne transfer costs. This is due to two factors: higher fixed operating costs, including wages and equipment, and lower tonnages from commercial customers (a reduction of 13% over the last two years). To a lesser extent the higher expenditure budget is due to a recommended increase in the garbage cart replacement budget (\$116,000). Raising the cart replacement budget in both the garbage and yard trimmings programs to levels which meet expenditure demand is required to avoid annual deficits.

Staff forecast that by the end of 2009 the accumulated deficit balance in the garbage collection program will be \$1.86 million. Full recovery of this deficit in 2010 would result in significant fee increases. Therefore, staff recommend fees be increased for 2010 to reduce this deficit by one quarter (\$480,000), with the balance recovered in following years. Recommended 2010 fees are as follows:

Cart Size (litres)	2009 Approved Fees (\$/year)	2010 Recommended Fees (\$/year)	\$ Change (\$/year)
75	\$85	\$89	\$4
120	\$101	\$105	\$4
180	\$122	\$128	\$6
240	\$143	\$150	\$7
360	\$185	\$194	\$9

For properties that are not serviced by automated collection (about 200 properties), the proposed fee for 2010 is \$61 per garbage can (maximum 100 litres) plus a \$37 stop fee. Therefore, properties that set out two garbage cans per week for collection will be charged a total of \$159 in 2010.

Recycling Collection

The expenditure budget increase for this program is driven primarily by apartment recycling contract costs (\$1.4 million) and a decline in recycling commodity revenues (\$0.25 million). Primarily due to these increased program costs, this operation is projected to incur a deficit of about \$2.2 million in 2009, and therefore an accumulated deficit balance of \$1.1 million. Staff recommend fees be increased for 2010 to recover the increased budgeted costs and to reduce the accumulated deficit by one quarter (\$260,000). The remaining deficit balance will need to be recovered in following years. Recommended 2010 fees are as follows:

Service Type	2009 Approved Fees (\$/yr)	2010 Recommended Fees (\$/yr)	\$ Change (\$/yr)
Single dwelling unit property:	\$19	\$29	\$10
Multiple dwelling unit property:			
- per dwelling unit	\$11	\$21	\$10
- per collection point	\$ 8	\$ 8	\$ 0

For 2010 the average homeowner and apartment resident will see a \$10 recycling program fee increase, equivalent to about \$0.20 per weekly collection event. It is noted that recycling program fees are charged as an annual flat rate with no restrictions on quantity, which provides a waste diversion incentive.

To align the Solid Waste By-law with Council's previously approved 2010 Garbage Container License fee increase for carts (RTS #8293), for 2010 staff recommend a \$2 increase in the fee for the storage of recycling carts on city streets and lanes (from \$56 to \$58 per cart).

Yard Trimmings Collection

The expenditure budget increase for this program is due to increased wages, higher cart replacement costs, and increased composting program labour and equipment costs. The latter cost driver is a result of increased quantities of yard trimmings collected (yard trimmings collected have increased from 14,000 tonnes in 2005 to a projected 22,000 tonnes in 2009).

Staff forecast that at the end of 2009, the accumulated deficit in the yard trimmings collection program will have been reduced to approximately \$730,000. Staff recommend fees be increased for 2010 to reduce this deficit by one quarter (\$210,000), with the remaining balance recovered in following years. Recommended 2010 fees are as follows:

Cart Size (litres)	2009 Approved Fees (\$/yr)	2010 Recommended Fees (\$/yr)	\$ Change (\$/yr)
120	\$45	\$46	\$1
180	\$52	\$54	\$2
240	\$58	\$61	\$3
360	\$72	\$75	\$3

Garbage, Yard Trimmings & Gypsum Fees

On October 30, 2009, the Greater Vancouver Sewerage and Drainage District (GVS&DD) amended their Tipping Fee and Solid Waste Disposal Regulation Bylaw resulting in changes to fees for garbage disposal, direct hauled yard trimmings and gypsum recycling. In the past when GVS&DD has changed disposal fees, Vancouver has changed the rates at the Vancouver Landfill (VLF) and Vancouver South Transfer Station (VSTS) to harmonize the rates in the region. Any net revenues will be transferred to the SWCR to fund future Landfill costs, including closure and post-closure care, and environmental issues arising during and after operation of the Landfill.

Accordingly, to match regional rates, staff recommend changing the fees from:

- \$71/tonne to \$82/tonne for garbage loads;
- \$56/tonne to \$59/tonne for yard trimmings loads; and
- \$15 to a \$10 minimum fee for loads of gypsum comprising of two 4' x 8' (1.22 metres x 2.44 metres) sheets or less deposited separately for recycling at the VLF.

Minimum fees during peak and non-peak hours for garbage, yard trimmings and gypsum as previously approved by Council (July 1, 2009, RTS 08010) will remain in effect.

FINANCIAL IMPLICATIONS

The following is a summary of financial implications resulting from the recommendations in this report:

Expenditure Budgets:

Collections Program	Approved 2009	Recommended 2010	Budget Increase
Garbage	\$11,151,900	\$11,719,900	\$568,000
Recycling*	\$4,112,700	\$5,923,500	\$1,810,800
Yard Trimmings	\$4,614,800	\$4,852,600	\$237,800
Total	\$19,879,400	\$22,496,000	\$2,616,600

*gross costs less revenue

Accumulated Surplus (Deficit):

Collections Program	Actual as at Dec. 31/08 (\$million)	Projected as at Dec. 31/09 (\$million)	Recommended 2010 Draw Down (25% each program)
Garbage	(\$1.96)	(\$1.86)	\$0.48
Recycling	\$1.08	(\$1.13)	\$0.26
Yard Trimmings	(\$0.94)	(\$0.73)	\$0.21
Total	(\$1.82)	(\$3.72)	\$0.95

For 2010, the average homeowner will see an increase of about \$18 (weighted average) in their annual total solid waste collection fees.

The increased garbage tipping fees is forecasted to generate surplus revenues which will be transferred to the SWCR to pay for Vancouver's share of future Landfill closure costs.

It should be noted that fees collected under the Solid Waste By-law are not subject to GST and thus would not be impacted by the introduction of the Provincial Harmonized Sales Tax (HST) when it comes into effect on July 1, 2010.

CONCLUSION

Based on forecasted 2010 costs, staff recommend that the SWU fees described in this report be adopted for 2010.

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