

WASTE & RECYCLING SERVICES

2016 MAY 30



Green Cart Program Indicative Rate Overview



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1. WASTE & RECYCLING SERVICES BACKGROUND

The largest opportunity in the residential sector to achieve progress on Council's 70 per cent by 2025 waste diversion goal is to collect and compost residential food and yard waste. With the success of the Blue Cart Recycling Program, almost 60 per cent of remaining residential waste is now compostable food and yard waste. As such, a key area of focus for Waste & Recycling Services (WRS) in the past five years has been the design and implementation of a residential Green Cart Program.

WRS will seek approval of Green Cart Program Rate as part of Action Plan 2015-2018 Mid-Cycle Adjustment process. This report details the 2017 and 2018 indicative rates for the Green Cart Program that starts mid-2017.

2. GREEN CART PROGRAM

2.1 GREEN CART PROGRAM BACKGROUND

WRS has a long history with the Green Cart Program. The 2007 80/20 by 2020 Strategy clearly demonstrated that in order to achieve the Council approved diversion target of 80 per cent diversion of waste from city-owned landfills, a program to manage single-family food and yard waste was important.

In 2012 March, a green cart organics pilot program was rolled out to 7500 homes in four distinct communities: Brentwood, Abbeydale, Southwood and Cougar Ridge. The pilot has provided important information on operational costs, collection efficiency, amount and type of material collected and the customer experience. The pilot consisted of weekly collection of a green cart, weekly collection of the blue cart and a change to every other week collection of the existing black cart. The change to once every two weeks collection for the black cart was important to maximize diversion in both the green and blue carts.

Research conducted from the pilot residents showed that 89 per cent were satisfied with the pilot and 91 per cent support a citywide program (Ipsos-Reid 2012). A key result from these communities included a reduction in garbage by 40 per cent.

Recent city-wide engagement of single-family households show that 89 per cent support the implementation of the Green Cart program (74 per cent strongly support the implementation). As well, 89 per cent are likely to use the green cart once the program begins. (Ipsos, 2016)

Improved black cart collection efficiencies resulted in a savings of full time equivalent positions in 2010, 2011 and 2012. These savings were used to cover the full costs of the green cart organics pilot program.

The Green Cart Program will be weekly cart-based collection of food and yard waste. Excess yard waste will be accepted in compostable paper bags placed beside the cart. Collected materials will be processed at a city-owned, partner-operated facility at the Shepard Waste Management Facility. Figure 1 highlights the key deliverables of the Green Cart Program.

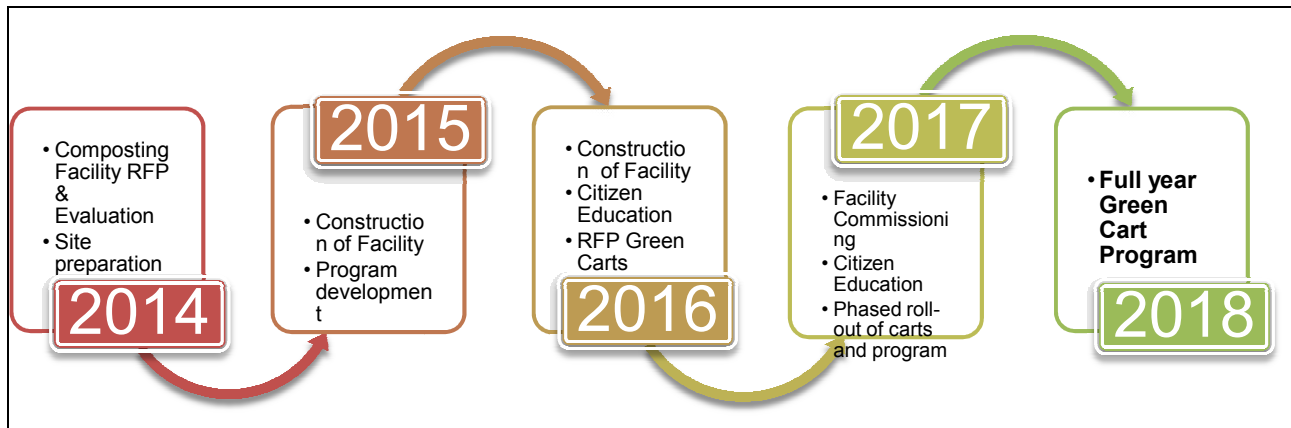


Figure 1: Green Cart Program Key Deliverables

2.2 GREEN CART PROGRAM RATE

Mid-2017, WRS will introduce a residential Green Cart Program to single-family residences. An associated Green Cart Program user fee will appear as part of a residence's utility bill, coinciding with the start of service.

The Green Cart Program Rate will be based on full program costs, offset by the reinvestment of savings realized from changing black cart garbage collection from weekly to once every two weeks. This aligns with previous Council direction on program funding. This rate includes collection, debt servicing, composting facility operations, customer billing, education, cart maintenance and replacement, communication and compost sales. A cost breakdown is shown in Figure 2.

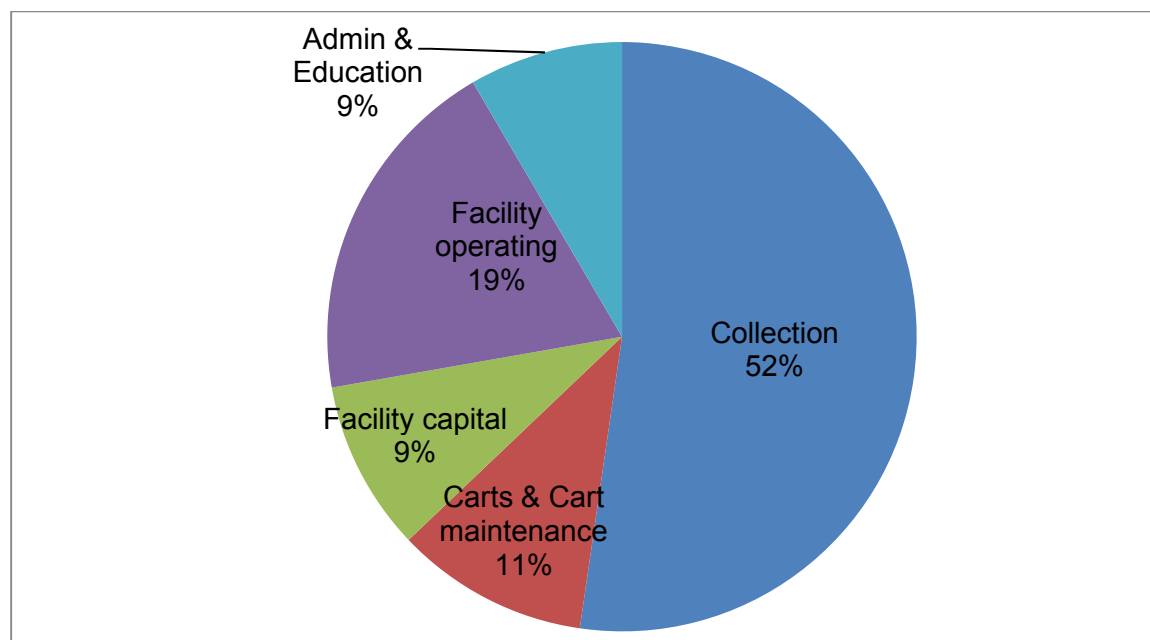


Figure 2: Green Cart Program Costs

Council has approved a total of \$143 million capital budget for the construction of the Organics and Biosolids Composting Facility. The composting facility is funded from a combination of self-supported debt, revenue/reserve and Gas Tax Funding grants. The self-supported debt funding will be used for the construction of infrastructure, facilities and the purchase of equipment. The borrowing terms of the debt will reflect the useful life of equipment.

As the composting facility will process materials from both WRS and WS/WR, the Water Utility will pay about \$10 million per year to WRS for its share of the operations, maintenance and capital recovery for biosolids composting. The estimated incremental cost to water is \$7.2 million per year, as the composting facility will reduce third party contracting costs to handle biosolids by \$2.8 million. These costs are reflected in the Utilities' indicative rates.

In 2015, Council approved the transfer of \$10 million in Gas Tax Funding from other WRS capital projects to the composting facility. The reprioritization of WRS' ten-year capital plan ensured that additional required funds for the final contract were available within the existing capital budget. As part of the 2016 Capital Recast process, WRS will propose that an additional \$4.7 million in Gas Tax Funding is reassigned to the composting facility from current WRS capital projects.

The change in black cart collection frequency has a budgeted tax savings of \$4.8 million in 2017 (partial year rollout) and \$10.1 million in 2018 for a full-year. These savings are based on findings from the green cart pilot, which saw a 40 per cent reduction in garbage in the participating communities.

WRS' operating budget approved in Action Plan includes the 2013 estimated net program costs required for the Green Cart Program commencing mid-2017. The completion of the facility contract and refinement of program details has allowed WRS to refine overall cost estimates. Current estimates for the annual operating cost for the program are projected to be \$40.7 million, in 2018. The black cart savings are projected at \$10.1 million in 2018 therefore the net operating budget impact for WRS is \$30.6 million. Table 1 shows the net program operating costs. WRS will request any required changes to the operating budget as part of the Mid-Cycle Adjustment process.

Table 1: 2016 Net Program Cost Estimates

Green Cart Program In Millions \$	2017 Annual Costs (2016 Estimate)	2018 Annual Costs (2016 Estimate)
Green Cart Program costs	\$29.0	\$40.7
Black cart savings	(\$4.8)	(\$10.1)
Net Green Cart Program operating costs	\$24.2	\$30.6

In 2017, WRS expects to rollout the Green Cart Program to 325,000 single-family homes. The Green Cart Program fee will be billed only after service has started.

WRS' prioritization of financial resources, including operating, capital and reserves, has maintained the indicative user fee rate of \$6.50 per household per month as committed to in Action Plan 2015-2018 and first identified in 2013. Given a mid-year rollout in 2017, the indicative rate for the Green Cart Program will remain \$6.50 per household per month for both 2017 and 2018, as shown in Table 2.

Table 2: Green Cart Program Indicative Rate for Action Plan

Green Cart Program Fee	2014	2015	2016	2017	2018
Monthly Charge (\$ per 30 days)	n/a	n/a	n/a	\$6.50	\$6.50

WRS continues work on the Financial Model Review that will inform the rates, including the Green Cart Program, for 2019-2022 business plan and budget cycle.

3. RESIDENTIAL BLACK CART GARBAGE COLLECTION

In 2015, WRS received \$28 million in property tax support to fund weekly residential black cart garbage collection for 321,250 single-family residences. WRS continues to manage growth and maintain black cart operational efficiencies by completing annual route design revisions and through on-going operational improvement efforts. In Action Plan 2015-2018, WRS committed to increased operating efficiencies within the existing Black Cart Program to service new homes.

However, 2017 will be a year of transition. Further efficiencies are expected in black cart garbage collection with the introduction of the Green Cart Program. Black cart garbage collection will change frequency from every week collection to once every two weeks. The savings achieved through the change of residential black cart garbage collection frequency will be reinvested into the Green Cart Program to reduce the program's monthly charge for single-family residences. Table 3 shows the transition of property tax support from black cart garbage collection to Green Cart Program.

Table 3: WRS Property Tax Funding (2015-2018)

Black Cart Garbage Collection Property Tax Support	2015	2016	2017*	2018*
Black Cart Garbage Collection Budget	\$28,054,000	\$28,224,000	\$23,527,000	\$18,227,000
Property Tax Allocation Green Cart Program			\$4,800,000	\$10,100,000

*Note: Budget re-alignments and adjustments for 2017 and 2018 still to be completed.



4. RECOMMENDATION

Administration recommends the indicative 2017 and 2018 Green Cart Program Rates be \$6.50 per household per month. WRS will include this new rate as part of the Action Plan 2015-2018 Mid-Cycle Adjustment process.