

Waste & Recycling Charges and Rates

Services and Funding

The Waste & Recycling service is focused on enabling Calgarians to reduce and manage their waste responsibly, now and into the future. The service delivers residential Black Cart, Blue Cart, Green Cart programs and several community-based waste reduction and diversion programs. The service manages operations and environmental performance at The City's three active and five closed landfill sites. Waste & Recycling is responsible for planning, delivering, and maintaining its assets to meet current and future service needs.

Waste & Recycling's operating and capital expenditures, and landfill liabilities are funded by a mix of fee revenues, property taxes, and grants. The service's financial model has aimed to align revenue sources with customer groups, while minimizing dependency on tax support. This creates a cost structure that is transparent to the customer and is more equitable across customer groups.

Fee revenue

Waste & Recycling generates fee revenue through residential program charges (Black Cart, Blue Cart, Green Cart) and disposal rates and charges at The City's Waste Management Facilities.

Residential program charges reflect the cost of service, which includes operating costs for collection, processing, disposal, education, and communication; capital costs for planning, delivering, and maintaining assets; and contributions to the Sustainment Reserve and landfill liability. The charges are net of revenues received from the sale of recyclables and compost, which help to keep Blue Cart Program and Green Cart Program charges affordable.

Throughout the 2019-2022 business cycle, Waste & Recycling held the Black Cart, Blue Cart, and Green Cart program charges at 2019 levels, opting not to implement approved increases of 1.6 per cent (or \$0.40) to the total monthly residential charge in each year 2020-2022. Waste & Recycling was able to reduce financial impacts to customers through program efficiencies and savings.

Disposal rates and charges are set to cover the costs of operating, capital, and landfill liability for The City's Waste Management Facilities. These rates and charges are set at a level to encourage diversion opportunities, without unduly influencing activity within a competitive market. A Council policy decision in 2008 increased fees to incentivize waste diversion (instead of disposal) as diversion is more expensive than landfilling. The Basic Sanitary Rate increased from \$50 per tonne in 2007 to \$95 per tonne in 2011 and then increased gradually on an annual basis until 2016. Since 2016, Basic Sanitary Rate has remained at \$113 per tonne in response to economic conditions.

The Minimum Load charge is applied to loads less than 250 kilograms. One quarter or 250 kilograms of the \$113 per tonne Basic Sanitary rate is \$28.25. The Minimum Load charge was increased from \$20 per load to \$25 per load in 2019 to achieve better alignment with the Basic Sanitary rate. The Minimum Load charge has since been held at 2019 levels to minimize financial impacts to residential customers.

Tax support

In 2019, Waste & Recycling implemented new rates for the three cart programs (Black Cart, Blue Cart, Green Cart). In implementing the new model, Waste & Recycling was able to reduce its tax-supported funding by approximately \$20 million. Throughout One Calgary 2019-2022, Waste & Recycling further reduced dependence on tax support through intentional workforce management; continuous efficiency improvements; refining revenue and expenditure projections; shifting historically tax-supported program overhead costs to self-supported funding sources; and leveraging the Sustainment Reserve. The result has been an overall reduction in tax support from \$41 million in 2018 to \$7.5 million in 2022.

The remaining tax-supported budget provides funding for corporate waste collection and processing, community-wide programs, and strategic initiatives. Over the course of the 2023-2026 business cycle, Waste & Recycling will seek opportunities to reduce tax-supported funding, continuing to move towards a fully self-supported user-pay model.

Grants

Waste & Recycling receives approximately \$12 million in Gas Tax Funding annually and utilizes it to complete many capital projects that support the reduction of greenhouse gas emissions from The City's three landfills and projects that are necessary to meet legislative and regulatory compliance. Continued use of Gas Tax Funding in the next business cycle will support keeping Waste & Recycling rates and charges at reasonable levels. Infrastructure Calgary will prioritize Gas Tax Funding for the One Calgary 2023-2026 service plans and budgets.

Drivers and Priorities

Calgarians value safe, reliable, and efficient waste services. Waste & Recycling currently provides residential collection services to over 340,000 households. Growth in operating and capital funding needs for collection services is closely tied to household growth as we aim to meet the evolving service needs of a growing population. Over the course of the 2023-2026 cycle, Waste & Recycling will continue to modernize its services with the use of technology and data to improve service efficiency and customer experience.

In April 2022, Waste & Recycling began a seven-year mixed-service delivery pilot, contracting 25 per cent of residential Black Cart collection services. The pilot will allow The City to objectively evaluate private sector service delivery in comparison with the public sector. Estimated savings are up to \$1 million per year. The actual savings achieved will depend on any price increases negotiated by the vendor and the cost of managing the contract. Savings will be applied city-wide to the Black Cart Program to offset program costs.

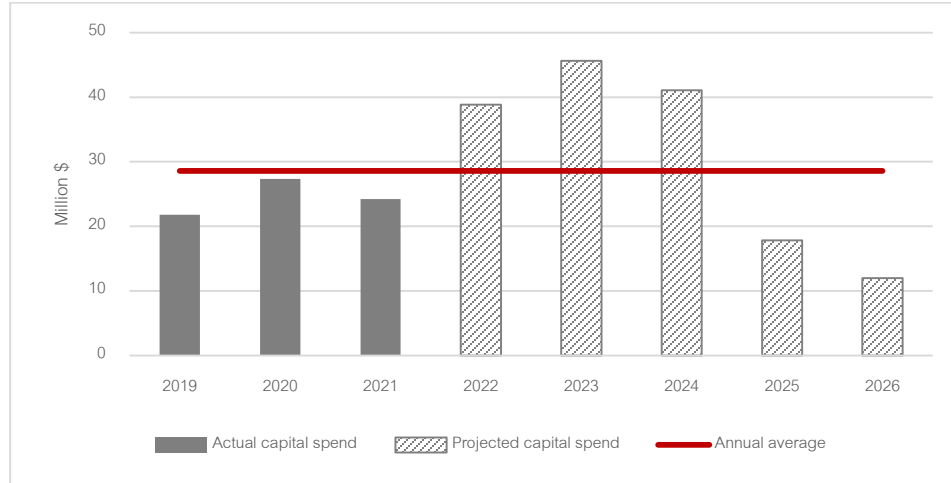
Waste & Recycling is committed to protecting the environment and reducing greenhouse gas emissions. Maintaining compliance with Approvals to Operate and other environmental requirements at The City's landfills is a top priority. The Approval to Operate for the East Calgary Waste Management Facility will be renewed in 2024. The service also plans to update its leachate management strategy. Leachate is a liquid substance that is produced when rainwater percolates down through the waste in a landfill. Leachate may have adverse effects on the environment and needs to be continually collected and removed for treatment.

Landfill gas and composting emissions, resulting from waste decomposition, produce methane, a potent greenhouse gas. Waste & Recycling operates landfill gas capture and combustion facilities at its active landfills and plans to expand these systems in the 2023-2026 cycle. In response to the urgency of the Climate Emergency, Waste & Recycling has also committed to develop strategies to further reduce greenhouse gas emissions. These strategies will consider 'upstream' approaches such as reducing food and organic waste, as well as innovative 'downstream' technologies to manage landfill gas, and opportunities to generate low-carbon energy and carbon offsets. The service will also continue to make investments that aim to reduce fleet emissions by improving fleet efficiency, evaluating new technologies, and piloting lower-emission fuel options (e.g. electric, hybrid).

Enabling Calgarians to reduce and divert waste continues to be a priority. For 2023-2026, Waste & Recycling will be focused on supporting better waste reduction and diversion outcomes for multi-family residential, commercial, and institutional customer groups. The service will also begin exploring circular economy opportunities, helping Calgarians shift to a better system where sharing, reusing, redesigning, repairing, and recycling keeps materials in use as long as possible.

The Waste & Recycling Infrastructure Investment Plan identifies the capital investments required to maintain assets; fulfill regulatory and environmental protection requirements; deliver reliable, high-quality services; and meet the needs of a growing city. The proposed capital spending plan for 2023-2026 anticipates a total investment of \$116.5 million over four years, which includes a \$50 million investment to expand the Calgary Composting Facility. Council approved the capital budget for the expansion project in February 2022 (IP2022-0018), which requires a \$0.20 increase to the monthly Green Cart program charge in each year 2023-2026.

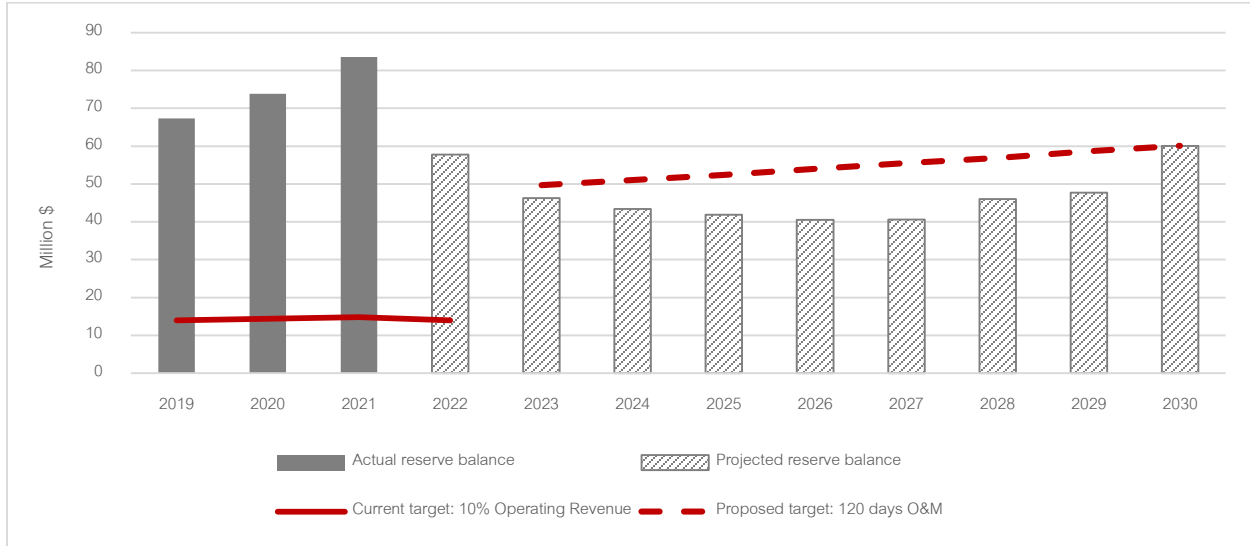
Figure 1: Capital Spending Plan



Waste & Recycling continues to maintain its Sustainment Reserve, which is intended to ensure the service has sufficient funds to meet financial obligations through periods of revenue fluctuations, unplanned operating expenses, and fluctuating capital requirements. A target balance of 10% of projected annual revenues was approved by Council in 2011. In late 2021, Waste & Recycling conducted a review the reserve target level, including a review of leading practices, examination of the service’s financial performance, and analysis of the service’s evolving needs and risks. The resulting recommendation was to adopt a Sustainment Reserve target balance of 120 days of Operating and Maintenance (O&M) costs. Implementing the change today would increase the target balance for the Sustainment Reserve from approximately \$14 million to \$48 million. The proposed target of 120 days of Operating & Maintenance has been incorporated into Waste & Recycling rates for 2023-2026, with a plan to achieve the target by 2030. Waste & Recycling will bring the proposed target forward for Council approval as part of the 2022 Triennial Reserve Review.

Over the course of the 2019-2022 business cycle, landfill revenues shifted from a budget shortfall to a surplus due to higher landfill tonnages. This shift was driven by changes in consumer behavior during the pandemic and increased business from private haulers. Surpluses generated from disposal rates and charges have contributed to an increasing reserve balance. Waste & Recycling anticipates that landfill tonnages will continue to increase over the coming business cycle as economic activity grows across the Calgary region. These projections minimize the need to increase rates and charges.

Figure 2: Sustainment Reserve Balance



The City continues to engage with the province on the design of Extended Producer Responsibility regulations. Extended Producer Responsibility shifts the costs of managing Blue Cart materials from municipalities to producers. The regulation is expected to be proclaimed mid-2022 with implementation anticipated in 2024. Extended Producer Responsibility will result in a significant savings in Blue Cart program costs, and thereby a reduction in program charges to Calgarians. The timing and scale of savings depend on how the regulations are designed and implemented. For this reason, Extended Producer Responsibility has not been incorporated into the Waste & Recycling rates at this time. The service will seek Council’s direction on the transition to Extended Producer Responsibility over the coming two years.

Other uncertainties, such as those related to inflation, collective bargaining agreements, volatility in recycling markets and commodity values, and global and national supply chain disruption pose risks to Waste & Recycling’s financial projections. The service will continue to monitor these risks and leverage the Sustainment Reserve as needed to mitigate near-term impacts to customers.

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Residential charges

In response to the service drivers and priorities outlined above, Administration is proposing an increase of \$0.70 to the total monthly residential charges in each year 2023-2026 (Table 1). This amounts to an average increase of 2.0 per cent each year to the Black Cart and Blue Cart program charges, and an average 4.1 per cent increase to the Green Cart program charge. The proposed Green Cart program monthly charges include a \$0.20 increase each year that will fund the Calgary Composting Facility expansion project.

Table 1: Residential charges for 2023-2026

Monthly charge	2022	2023	2024	2025	2026
Black Cart Program Charge	\$6.85	+\$0.14	+\$0.14	+\$0.14	+\$0.14
Blue Cart Program Charge	\$8.80	+\$0.18	+\$0.18	+\$0.18	+\$0.18
Green Cart Program Charge	\$8.65	+\$0.38	+\$0.38	+\$0.38	+\$0.38
Monthly residential total	\$24.30	\$25.00	\$25.70	\$26.40	\$27.10

Disposal rates and charges

No increases to disposal rates and charges in 2023-2026 (Table 2) are proposed at this time. Waste & Recycling anticipates increased disposal tonnage as economic activity grows in the Calgary region and as fuel prices remain high. The projected increase in fee revenues is expected cover cost of service and other financial obligations such that increases in disposal rates and charges can be avoided.

The service will monitor economic and customer activity and may recommend adjusting rates and charges for 2025 and 2026 through the Mid-Cycle Adjustment process, if necessary.

Table 2: Disposal rates and charges for 2023-2026

Disposal rates at Waste Management Facilities	2022	2023	2024	2025	2026
Basic Sanitary Rate per tonne	\$113	\$113	\$113	\$113	\$113
Minimum Load charge (per load)	\$25	\$25	\$25	\$25	\$25