Utilities & Environmental Protection Report to SPC on Utilities and Corporate Services 2019 May 15

ISC: UNRESTRICTED UCS2019-0552

Landfill Disposal Discount

EXECUTIVE SUMMARY

Waste & Recycling Services (WRS) has been approached by commercial haulers to consider a discounted Basic Sanitary Waste rate for garbage disposed at The City of Calgary (The City) Waste Management Facility (WMF) landfills. The purpose of this report is to consider the value of providing a discounted rate to WMF account customers and to propose a recommendation.

With the adoption of the 80/20 by 2020 waste diversion goal in 2007, WRS had limited tools available to encourage diversion, especially in the non-residential sectors. Stakeholder engagement indicated that the cost of disposal was too low for diversion markets to develop. Between 2007 and 2014, the Basic Sanitary Waste rate was increased from $50 per tonne to $107 per tonne. While raising the waste disposal rate did assist in creating local markets and improving diversion, it also made some of our account customers look for less expensive disposal options elsewhere.

WRS has since implemented other diversion tools and policies including: reduced rates for source-separated construction and demolition recyclables; Disposal Surcharge rate for mixed loads that contain recyclable materials; and bylaw requirements for onsite sorting of recyclables and food and yard waste. With these additional tools to support diversion, WRS is now in a position to consider a discount of the Basic Sanitary Waste rate, which is currently at $113/tonne.

WRS has completed a municipal scan of disposal rates and considered different types of discount options. These options include: 1. WMF Account Customer monthly weight discount; 2. weight per load discount; and 3. independent individual discount agreements.

To respond to customer inquiries in a transparent way, while exploring potential opportunities for increased operational efficiencies, including reduced lineups at the WMFs, WRS proposes to implement a WMF Account Customer monthly weight discount of the Basic Sanitary Waste rate starting 2019 July 1. The proposed discount will provide some financial relief to approximately 500 of our current, as well as any new WMF account customers. As the Basic Sanitary Waste rate is set by Council through Bylaw 20M2001, Council approval is required to implement the proposed discount.

Regardless of the discount considered, WRS will not waive the requirement for diversion. The Disposal Surcharge Program and associated rate of $180 per tonne for waste loads containing recyclable and/or compostable materials will still apply.

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ADMINISTRATION RECOMMENDATION:

That the Standing Policy Committee (SPC) on Utilities and Corporate Services (UCS) recommend that Council:

1. Direct Administration to implement a WMF Account Customer Monthly Weight discount starting 2019 July 1; and
2. Give three readings to the proposed Bylaw amendments for Waste and Recycling Bylaw 20M2001 (Attachment 5).

RECOMMENDATION OF THE STANDING POLICY COMMITTEE ON UTILITIES AND CORPORATE SERVICES, DATED 2019 MAY 15:

That Council:

1. Direct Administration to implement a WMF Account Customer Monthly Weight discount starting 2019 July 1;
2. That Bylaw 23M2019 **be amended, as follows**, prior to second reading:

- Under Section 3., in Schedule "B", by adding the following after Table 1 - Disposal Rates:

  " by deleting Table 1. a and replace with the following:

  TABLE 1.a - DISPOSAL RATES for WASTE MANAGEMENT FACILITY ACCOUNT CUSTOMERS

  (sections 3.1(1)(a) and (a.1))

For waste disposed at a City Disposal Site (Waste Management Facility)	**2019**	**2020**	**2021**	**2022**
For less than 1,000 tonnes per month	$108/tonne	$108/tonne	$108/tonne	$108/tonne
For 1,000 tonnes or more per month	$100/tonne	$100/tonne	$100/tonne	$100/tonne
For 2,000 tonnes or more per month	$90/tonne	$90/tonne	$90/tonne	$90/tonne

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For 3,500 tonnes or more per month	$80/tonne	$80/tonne	$80/tonne	$80/tonne

3. Give three readings to the proposed Bylaw **23M2019, as amended**, amendments for Waste and Recycling Bylaw 20M2001.

PREVIOUS COUNCIL DIRECTION / POLICY

As part of the business planning and budgeting cycle at The City, WRS recommends and Council approves the garbage disposal rate called the Basic Sanitary Waste rate, through Bylaw 20M2001.

2018 November 14, C2018-1158 One Calgary 2019-2022 Service Plans and Budgets. In Attachment 3Z, Council approved Bylaw 20M2001 with the Basic Sanitary Waste rate for 2019-2022. Through One Calgary, The City continues to set rates at levels that support diversion via existing markets and service providers. WRS did not increase the disposal rate for 2019 or 2020, as the regional economy is still recovering. As waste is typically one of the last areas to experience economic recovery, only small increases for 2021 and 2022 are proposed.

2017 November 27, C2017-1123 Action Plan 2018 Adjustments Attachment 7. Council directed that the Basic Sanitary Waste rate in 2018 be frozen at the 2016 level, rather than increased as per Action Plan.

2016 November 21, C2016-0863 Action Plan Mid-Cycle Adjustments Attachment 16. Council directed that the Basic Sanitary Waste rate in 2017 be frozen at the 2016 level, rather than increased as per Action Plan. Attachment 1 outlines the historical Council direction for the Basic Sanitary Waste rate.

BACKGROUND

With the adoption of the 80/20 by 2020 waste diversion goal in 2007, WRS had limited tools available to encourage diversion, especially in the non-residential sectors. Stakeholder engagement indicated that cost of disposal was too low for diversion markets to develop. While an increased disposal rate does not directly create diversion, it does assist in the creation of markets for diverted material. When garbage disposal is not the lowest cost option, waste generators have an additional financial incentive to find diversion opportunities.

Since 2014, WRS has seen a decline in tonnes of garbage disposed at the WMFs by account customers. The high Basic Sanitary Waste rate, increased diversion, and change in the economic climate have all contributed to the decline. WRS has also seen a change in the makeup of our customer base, with declining number of account customers. Attachment 2, shows the change in number of account customers and associated tonnes of waste received at The City's WMFs between 2013 and 2018.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

WRS offered a disposal rate discount to high volume customers in the past, from 1994 to 2003. Between 2007 and 2014, the Basic Sanitary Waste rate was increased from $50 per tonne to $107 per tonne. While raising the Basic Sanitary Waste rate did assist in creating local markets and improving diversion, it also resulted in some of our account customers looking for less expensive waste disposal options elsewhere. Waste tonnage disposed at The City WMFs by account customers declined by 37 percent over the same time period.

Over the last few years, WRS implemented tools and policies that encourage diversion, including:

- Differential tipping fees for recyclable construction & demolition materials brought to the WMFs (2009).
- Disposal Surcharge rate for commercial waste loads mixed with recyclable and/or compostable materials brought to WMFs (2009).
- Differential tipping fee for yard waste brought to WMFs for composting (2012).
- Bylaw requirements for onsite sorting of recyclables (2016) and food and yard waste (2017) for multi-family complexes and businesses.

Given that the Basic Sanitary Waste rate is no longer the primary tool to support diversion, WRS is in a position to consider the Basic Sanitary Waste Rate discount once again.

Municipal Scan - Benchmarking

WRS completed a scan of other municipalities' rate discount practices, and reviewed the National Solid Waste Benchmarking Initiative summary of disposal rates at municipal landfills across Canada. The scan indicated that The City's 2018 Basic Sanitary Waste rate of $113 per tonne was about 19 per cent above the national median of $95 per tonne. The scan of discounts showed that municipalities use a variety of incentives and disincentives tailored to their specific needs, as summarized in Attachment 3.

Evaluation Framework

To evaluate discount options, WRS used a modified Strategic Evaluation Framework. Table 1 details the outcomes that should be considered with any changes to the Basic Sanitary Waste rate.

Customer	Financial Sustainability	Environmental Sustainability
Transparency	Limit net reduction in revenue	Provide a local waste management option
Fair application across all customer classes	Efficient and effective operation	Confirm success of diversion "right thing being done"

Table 1: Modified WRS Strategic Evaluation Framework

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Disposal Discount Options

Based on the municipal scan of tipping fee rates and discounts, WRS considered three types of discounts:

1. WMF Account Customer monthly weight discount
2. Weight per load discount
3. Independent individual discount agreements

A detailed investigation is included in Attachment 4, outlining how each type of discount supports or risks achieving WRS' Strategic Evaluation Framework.

It should be noted that, regardless of the discount considered, WRS will not waive the requirement for diversion. The Disposal Surcharge Program and associated rate of $180 per tonne for mixed loads containing recyclable and/or compostable materials will still apply.

Each of the discount options is outlined below:

1. WMF Account Customer monthly weight discount

To be eligible for these discounts, customers must have an account with WRS so that the discount can be calculated and applied to a monthly bill. By becoming a WMF account customer, specific vehicle information is stored within the scale and billing system and invoices are generated monthly. With this type of discount, the amount of the discount is tied to the weight of waste brought to the landfill for disposal on a monthly basis.

Discounts The City offered in the 1990's and 2000's are examples of WMF account customer monthly weight based discount, as noted in Attachment 1.

Key findings:

- Discounts would be transparent, as they are posted on Calgary.ca and at the WMFs.
- Account customers reduce lineups at the WMFs, improving customer service.
- Depending on the size of the discounts, there is a limited revenue risk of less than $300,000 per year or less than 2 per cent of total tipping fee revenue; about 2,600 tonnes in new business would be required to offset the potential revenue loss.

2. Weight per load discount

With this discount option, the rate charged depends on the size of the load for each visit to the landfill. This type of discount does not require a customer to have an account with WRS.

Key findings:

- Discounts would be transparent, as they are posted on Calgary.ca and at the WMFs.
- No reduction in lineups at the WMFs, but larger loads support an efficient operation at the landfill face.

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- Depending on the size of the discounts, there is a limited revenue risk of less than $300,000 per year or less than 2 per cent of total tipping fee revenue; about 2,600 tonnes in new business would be required to offset the potential revenue loss.

3. Independent individual discount agreements

For this type of discount, each customer would be able to negotiate individual agreements with WRS. The agreed upon rate would be known only to the participants. To offer individual agreements new authority would need to be granted to the Director, WRS within Bylaw 20M2001. These types of agreements are typically a practice implemented by privately owned landfills. As this option compromises transparency of WRS' rates to all customers, it was not considered further.

Conclusion

To respond to customer inquiries in a transparent way, while exploring potential opportunities for increased operational efficiencies, including reduced lineups at WMFs, WRS proposes to implement a WMF Account Customer monthly weight discount starting 2019 July 1. The proposed discount would apply only to the Basic Sanitary Waste rate, which is currently at $113/tonne. The proposed discount structure is based on the monthly tonnage thresholds outlined in Table 2.

DISPOSAL RATES for WMF ACCOUNT CUSTOMERS		
Description	**Proposed Basic Sanitary Waste rate for 2019 and 2020**	**Proposed Basic Sanitary Waste rate for 2021 and 2022**
For less than 1,000 tonnes per month	$108 / tonne	$110 / tonne
For 1,000 tonnes or more per month	$100 / tonne	$102 / tonne
For 2,000 tonnes or more per month	$90 / tonne	$92 / tonne
For 3,500 tonnes or more per month	$80 / tonne	$82 / tonne

Table 2: Proposed Disposal Discount Structure

The proposed discount will provide some financial relief to approximately 500 of our current as well as any new WMF account customers. WRS will monitor the financial outcomes and return to Council through the Mid-Cycle Adjustment process to modify and/or remove the discount, if needed. The annual Budget Adjustment Process will be used to address any required changes to the discount. As Council sets the Basic Sanitary Waste Rate, WRS requests that Council approve updates to Bylaw 20M2001. The required bylaw amendments are outlined in Attachment 5.

Stakeholder Engagement, Research and Communication

WRS has been approached by haulers about an opportunity for a discount. Haulers have indicated interest in a WMF Account Customer monthly weight discount of the Basic Sanitary Waste rate.

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Strategic Alignment

Disposal discounts aligns with the Council Directive for A Well-Run City:

> W4 – We need to recognize that we miss opportunities for innovation in management, service delivery and planning because of an existing culture of risk avoidance. We need to create a culture, including Council, which embraces appropriate levels of risk, innovation, experimentation and embraces lessons learned as opportunities to improve.

Social, Environmental, Economic (External)

Social

The appropriate disposal of garbage in landfills ensures the protection of public health and the environment. Use of discounts needs to be transparent for all customers and promote customer equity wherever possible.

Environmental

Increasing use of The City's WMFs provides an option for local management of waste. Materials leaving The City puts a strain on other municipalities' infrastructure and increases the amount of greenhouse gases produced in their transportation.

Economic (External)

The current economic downturn has impacted Calgary businesses. WRS strives to be responsive to customer needs and has the ability to benefit haulers in the marketplace who may not have access to alternative disposal options at a competitive rate.

Financial Capacity

Current and Future Operating Budget:

There are minimal impacts to WRS operating budget with this recommendation. There is a low revenue risk of less than $300,000 per year or less than 2 per cent of WRS' total tipping fee revenue.

Potential revenue shortfalls or additional costs would be addressed in two ways. In the short-term, they would be managed using funds from the WRS Sustainment Reserve and in the long-term, WRS would return to Council through the Budget Adjustment Process to either remove the discount or adjust operating budgets.

Current and Future Capital Budget:

There are no impacts to WRS' capital budget with this recommendation.

Risk Assessment

Specific risks for the implementation of the recommended discount option are:

- Alternative disposal companies respond to The City's discounts with an even lower tipping fee for their own facilities, resulting in WRS loss of revenue beyond current projections contained in this report.

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- Reputational risk for The City if customers view the discount as unfair and inequitable, especially for existing WMF customers.
- Reputational risk for The City, as it has the potential to create the perception that WRS is encouraging disposal instead of diversion, which would impact achieving The City's goal of diverting 70 per cent of Calgary's waste away from landfills by 2025.

REASON(S) FOR RECOMMENDATION(S):

A higher Basic Sanitary Waste rate created a financial incentive to encourage diversion within the non-residential sectors. Given that this rate is no longer the primary financial tool to encourage diversion, WRS is in a position to consider a discount of the Basic Sanitary Waste rate.

WRS has completed a municipal scan of disposal rates and considered three types of discounts. To respond to customer inquiries in a transparent way, while exploring potential opportunities for increased operational efficiencies, including reduced lineups at WMFs, WRS proposes to implement a WMF Account Customer monthly weight discount.

Although the discount poses a risk to tipping fee revenue, that risk is limited to less than 2 per cent of total tipping fee revenue and approximately 2,600 tonnes in new business would be required to offset the potential revenue loss.

ATTACHMENT(S)

1. Attachment 1 – Historical Council Direction for the Basic Sanitary Waste Rate
2. Attachment 2 – Landfill Tonnes and Account Customers
3. Attachment 3 – Scan of Municipal Tipping Fees
4. Attachment 4 – Disposal Discount Options
5. **Attachment 5 – Proposed Bylaw 23M2019**