PRESENTATION TO
EXECUTIVE POLICY COMMITTEE

RE: OBJECTION TO PROPOSED CITY OF WINNIPEG TIPPING FEE INCREASE

His Worship Mayor Sam Katz, Chairperson
Deputy Mayor Brenda Leipsic
Councillor Bill Clement
Councillor Mike O'Shaughnessy
Councillor Gord Steeves
Councillor Justin Swandel
Councillor Russ Wyatt

March 17, 2007

Respectfully submitted by Johnson Waste Management Ltd.

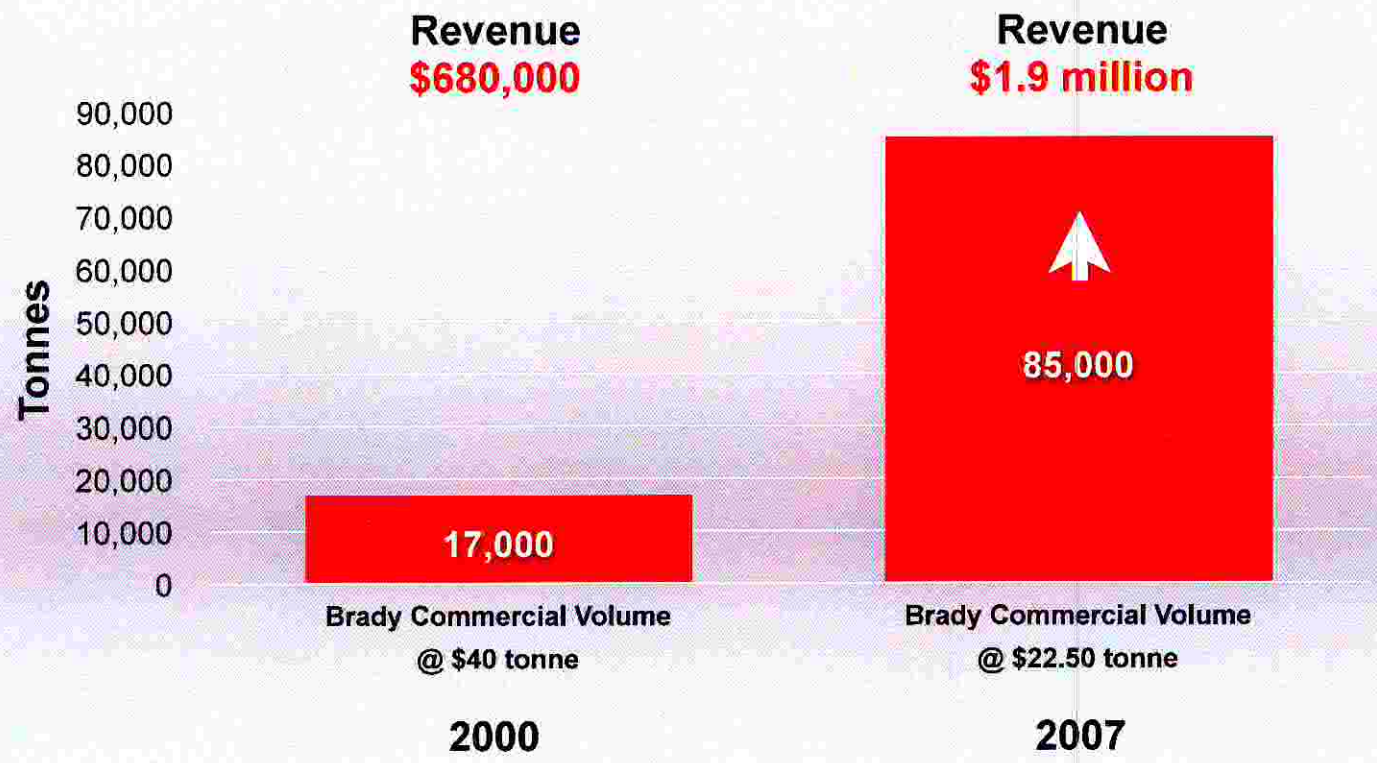
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Further to a statement taken from a report on landfill tipping fees dates January 14, 2000 found on the City of Winnipeg website:

- **"The overall strategy being proposed here is to lower the tipping fee in order to attract more waste. Lower tipping fees at the City of Winnipeg Brady Road landfill will also benefit the commercial and residential taxpayers in the City of Winnipeg."**

- **"Maintaining the current landfill tipping fee structure will result in the Solid Waste Utility becoming bankrupt within the next three years."**

Impact of 2000 Rate Decrease on Brady Commercial Volume



GRAPH 1

Brady Landfill Operating Cost and Profit Mark-ups

Current and Projected



GRAPH 2

Projected Impact of Fee Increase On Business Community

- **Current tipping fee cost to business community: $6.6 million**
- **Projected cost to business community: $9.9 million ($3.3 million additional)**

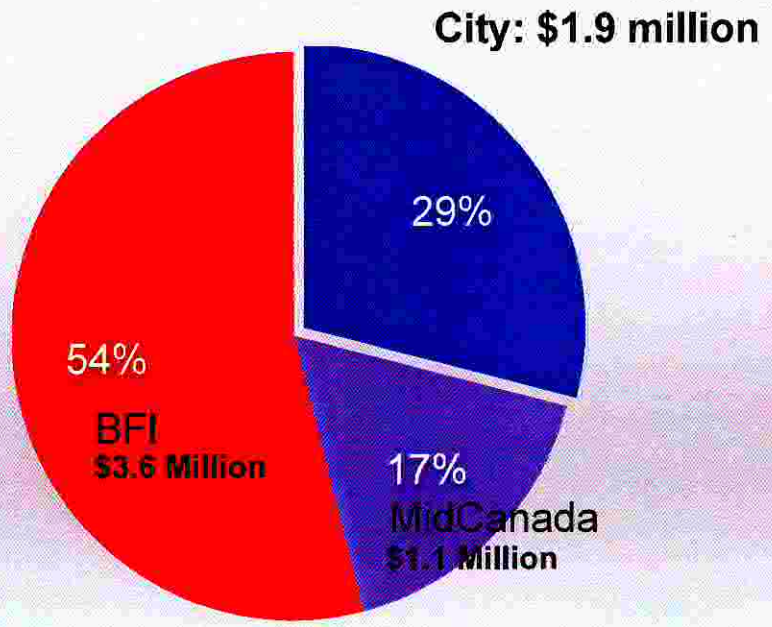


Total Landfill Volume Estimate: 295,000 tonnes

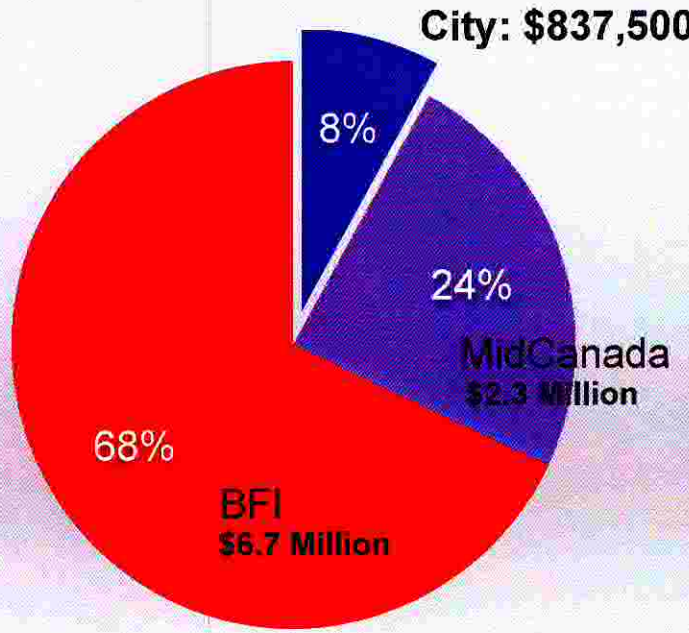
GRAPH 3

Likely Impact of Fee Increase on Dollar and Volume Re-Distribution

Before Increase



After Increase



GRAPH 4

A Win-Win Better Way

- **Keep tipping fees at current level to ensure ability to compete is not compromised**
- **Offer volume discounts to attract more volume and more fees on a put-or-pay basis (if haulers don't meet guaranteed volumes they will have to pay the City for the difference)**
- **Result:**

  Win - Increased revenue for City
  Win - Winnipeg businesses are not penalized
  Win - Brady remains competitive
  Win - The competitive advantage of the BFI landfill owner over other companies through tipping fees would be eliminated

SUMMARY

By most standards a 93% markup which you presently enjoy at Brady would be considered more than adequate.

But if you are determined to increase rates, please seriously consider how a Put-or-Pay system would positively impact the City's profits.

Put-or-Pay will allow the City to both achieve and retain maximum volume and profit gain at the lowest cost to Winnipeg businesses.

The City of Winnipeg has a great asset in the Brady Road landfill. It is possible that if the above is implemented, the greater share of landfill profits will remain in Winnipeg to the benefit of the Winnipeg community.

Thank you.

File No. WW/011-15-06-16-00

RE: LANDFILL TIPPING FEES

APPROVED FOR SUBMISSION TO THE CHIEF ADMINISTRATIVE OFFICER

Barry D. MacBride, P. Eng.
Director of Water and Waste Department

JDM:mes

2000 01 14

c J. Dan McInnis, P. Eng.
Manager of Solid Waste

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RE: LANDFILL TIPPING FEES

RECOMMENDATION:

1. That the City of Winnipeg landfill tipping fees be set at:

Commercial	-	$22.50 per tonne
Residential	-	$22.50 per tonne
Other Municipalities	-	$22.50 per tonne

2. That the grant to Take Pride Winnipeg be set at 10% of the commercial waste tipping fee revenue.

3. That the transfer from the Solid Waste Utility 2000 Budget to the Tax Supported 2000 Budget be adjusted from $1,058,000 to $508,000.

REASON:

On July 14, 1999, the Executive Policy Committee requested the Administration to re-examine the costs and charges for disposal of commercial wastes and report back to the Standing Policy Committee on Public Works.

HISTORY:

On November 17, 1999, Council ratified By-law 7525/99 amending Schedule "A" of By-law 1340/76, which established the 2000 landfill tipping fees as:

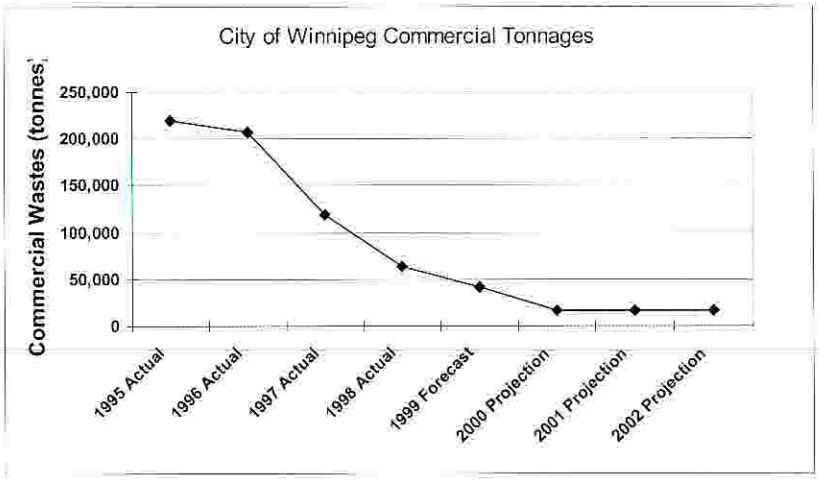
Commercial	-	$40.00 per tonne
Residential	-	$25.00 per tonne
Other Municipalities	-	$30.00 per tonne

DISCUSSION:

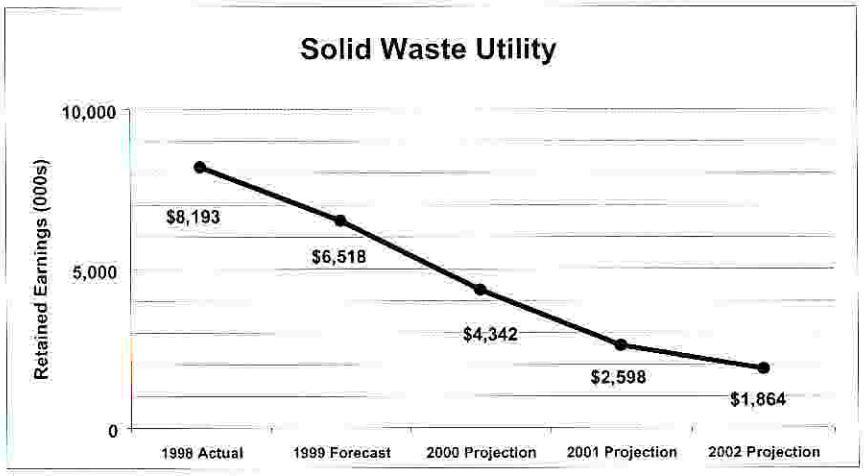
Presently, there are numerous landfills in close proximity to the City of Winnipeg. While most of these landfills service a local community, there are two -- and possibly soon will be three -- landfills in the Capital Region that accept commercial wastes from the City of Winnipeg as a means of generating revenue, thereby increasing the profitability of their disposal operations.

The largest landfill in the Province is the City of Winnipeg Brady Road operation. This site has a capacity of in excess of 100 years and has been operating for more than 25 years. Prior to the establishment of other major landfills, the City of Winnipeg received approximately 225,000 tonnes of commercial wastes each year. Starting in 1996, these other landfills have been diverting commercial wastes from the City of Winnipeg by offering lower tipping fees and decreased hauling costs.

In 1999, it is estimated that approximately 185,000 tonnes of commercial wastes from the City of Winnipeg were disposed of at landfills other than the Brady Road landfill. This amount is expected to increase as more landfills are constructed.



This reduction in commercial tonnage has resulted in the Solid Waste Utility being in a deficit position and the residential tipping fees increasing, which has resulted in higher costs for property owners in the City. In 2000, the Solid Waste Utility deficit is budgeted at $2.1 million. The residential tipping fee, funded from property taxes, has increased by $735,000 from 1999 to 2000 as a result of less commercial wastes. Funding for programs such as Take Pride Winnipeg and waste minimization projects have also decreased as a result.



The overall strategy being proposed here is to lower the tipping fee in order to attract more wastes. Lower tipping fees at the City of Winnipeg Brady Road landfill will also benefit the commercial and residential taxpayers in the City of Winnipeg. There are a number of alternatives that could be pursued:

1. Maintain the current landfill tipping fee structure.
2. Reduce the commercial tipping fee structure only.
3. Reduce all tipping fees.

Maintaining the current landfill tipping fee structure will result in the Solid Waste Utility becoming bankrupt within the next three years. The amount of wastes being disposed of at the landfill will continue to decline. The operation will no longer be sustainable, and drastic action will have to be taken. The status quo is not an acceptable alternative.

Reducing the commercial tipping fees will result in increased commercial tonnages being disposed of at the City of Winnipeg landfill. However, there is also an opportunity to accept wastes from other municipalities, which will further enhance our economic viability. Increasing our tonnages from outside the City has the effect of lowering the cost of disposal for the residential customers and reducing property taxes.

Financial Considerations

If all the tipping fees were reduced to $22.50 per tonne, it is estimated that the amount of commercial wastes would increase by 50,000 tonnes. It is also anticipated that other municipal governments would start disposing of wastes at the Brady Road landfill. This amount is estimated to be 15,000 tonnes, for a total increase of 65,000 tonnes.

In order for there to be no impact to the Tax-Supported budget, and to improve the viability of the Solid Waste Utility, it is recommended that the $1.058 million contribution from the Solid Waste Utility be decreased by the amount of the reduction in the residential tipping fees, which is $2.50 per tonne or $550,000.

The impact of a lower tipping fee on the landfill operations is illustrated in the following chart (tonnes, revenue and expenditures in 000s):

	2000 Budget			2000 Proposed		
Landfill Revenue	Tonnes	Rate	Total	Tonnes	Rate	Total
Commercial	17	$40.00	$660	82	$22.50	$1,834
Residential	210	$25.00	5,250	210	$22.50	4,725
Other City Departments	10	$25.00	250	10	$22.50	225
Small Loads	85.3 loads	$3.00	256	85.3 loads	$3.00	256
Total Landfill Revenue			***6,416***			***7,040***
Landfill Expenditure						
Operating			2,881			3,270
Debt & Other			2,826			2,826
Landfill & Environmental			527			527
Transfer to Reserve			118			151
Total Landfill Expenditure			***6,352***			***6,774***
Net Income from Landfill Operations			***$ 64***			***$ 266***
Take Pride Grant			***66***			***150***
Transfer to General Revenue Fund			***1058***			***533***
NET INCOME AFTER GRANTS & TRANSFERS			**$(1,060)**			**$(416)**
Total Tonnes			***258***			***323***
Cost per Tonne			***$ 25.00***			***$ 21.00***

Assumptions:

1. The above analysis excludes the recycling operations.
2. Lower tipping fee will generate an additional 65,000 tonnes.
3. Operating expenditures to increase as a result of additional cell excavation, leachate systems and landfill cover (from increased volumes).
4. Take Pride grant calculated as 10% of the commercial landfill tipping fees.
5. Transfer to Reserve increase as a result of the increased tonnes (65,000 tonnes at $0.50 per tonne).
6. Transfer to General Revenue Fund decrease equal to the decrease in the tax-supported residential tipping fees.

Benefits

1. Lower Costs for City of Winnipeg Businesses

The proposed reduction in tipping fees will result in the other landfills having to reduce their tipping fees accordingly in order to remain competitive. Ultimately, this will reduce the cost that businesses pay for waste collection and disposal services provided by private contractors. The total amount of savings is estimated to be a minimum of $2.25 million.

2. Opportunity for Increased Competition

The sale of BFI to Canadian Waste is expected to be completed in the first quarter of 2000. As a result of this sale, and the expected divestiture of a portion of the commerical routes to a third party, a situation will be created whereby one company will own and operate the BFI landfill, along with a considerable portion of the commercial business in the City. If the BFI landfill owner charged $40.00 per tonne to others and charged themselves a lower rate, it would be very difficult for other companies to compete. With the City lowering its tipping fee from $40.00 to a rate closer to the actual cost, the competitive advantage of the BFI landfill owner over other companies through tipping fees would be eliminated.

3. Less Opportunity for New Landfills

If the landfill tipping fees continue to be higher than the actual cost of service, the opportunity presents itself for others, either municipalities or private companies, to establish landfills and compete with the City. This will result in the commercial tonnages decreasing even further.

4. More Competitive Prices on City Contracts

Another benefit of this increased competition is related to the bidding process for City collection work. Currently, 50% of the residential and 100% of the apartment collection is contracted out. More competition usually results in tendered prices that are closer to actual costs.

5. Take Pride Winnipeg funding

Take Pride Winnipeg receives a grant in the amount of $4.00 per tonne of commercial wastes in order that they can provide the necessary litter programs. It is proposed that the grant amount be changed to 10% of the revenue from commercial wastes. With the expected increased commercial tonnages, the amount realized for Take Pride from the Solid Waste Utility is estimated to be $150,000, up from the budgeted amount of $66,000.

Take Pride Winnipeg is also receiving an additional grant from the Tax-Supported budget in order to bring the total grant equal to $200,000 per year. In 2000, the estimated grant from the Tax-Supported budget is $134,000. If the proposed tipping fee rate structure is approved, this amount is expected to reduce to $50,000.

6. Solid Waste Utility

The financial position of the Solid Waste Utility is expected to improve. The revenues from the additional wastes will more than offset the incremental increase in operating costs. The net improvement to the Utility is expected to be $644,000 per year. It should be noted that the Solid Waste Utility 2000 deficit is estimated to be $1.760 million.

Risks

1. Failure to Attract Additional Wastes

The overall strategy is to attract more wastes by reducing the tipping fee. It is estimated that the proposed reduction in tipping fees will result in the City attracting an additional 65,000 tonnes of waste – 50,000 from the commercial sector and 15,000 from outside the City. The probability of achieving this is high, since there are currently 185,000 tonnes of waste available, and if the tipping fee is competitive, service providers will be attempting to minimize their costs by hauling to the nearest landfill. This should cause the commercial wastes from the south side of the City to be taken to the Brady Road site.

The amount of wastes being disposed of at the landfill is being monitored. The result will be analyzed monthly and a determination made as to the amount of additional wastes being realized. If the strategy is not working, or there are opportunities for receiving additional wastes, the strategy will be amended and a report prepared for consideration by Council.

2. Reduced Waste Minimization Activities

Lower tipping fees generally result in reduced waste minimization activities. This is due to the economic consideration that it is less expensive to landfill than to recycle a certain commodity. In the City of Winnipeg, the only commodity that may be affected is corrugated cardboard from the commercial sector. However, the net cost of recycling this product is estimated to be less than $20.00 per tonne, and therefore the impact is expected to be negligible.

There would be no effect on the residential recycling programs, since there is no direct impact of lower tipping fees.

THIS REPORT PREPARED AND SUBMITTED BY:

Water and Waste Department

2000 01 14

JDM:mes

PUT-OR-PAY IDEAS

Listed below are a few ideas that I feel will put the City in a much better position (should the tipping fees be raised), to not lose a large portion of the volume that you presently have, and would actually allow the City to increase volume:

- In order to allow City managers to compete with the private sector, it is critical that they are able to negotiate volume discounts to hold existing and attract additional volume using Put-or-Pay agreements;

- At the moment there is approximately $5 million dollars annually (based on $22.50 per tonne) that is not going to the Brady landfill; Much of this volume could be re-directed to Brady, with the necessary volume discount, to make it practical for haulers like ourselves to do so. Please see attached e-mail;

- My suggestion is, if possible, to delay the decision on the amount of the increase to June 1 in order to give your City managers the opportunity to determine the dollars per tonne discount that would be required to attract the maximum additional tonnes to Brady to achieve the greatest benefit for the City. During this time period City managers could also negotiate firm long-term Put-or-Pay agreements with larger haulers. Once this amount is determined, you would know exactly what the tipping fee increase should be (likely it would be less than the $11.00 increase currently planned). This will greatly benefit the City and may not be as costly for businesses as the proposed increase. Otherwise, the competitive advantage will go to BFI and Mid-Canada if the tipping fee increase is set any higher than necessary to achieve the City's volume and profit goals.

- Put–or-Pay agreements allow the City to guarantee large volumes to Brady as well as allowing BFI's competitors to be competitive.

Pat Schell

From: Dolores Krahn
Sent: Tuesday, February 26, 2008 1:57 PM
To: Eric Johnson
Subject: landfill for Jan08

Hi Eric – here are the landfill expense totals for Jan 08

Landfill Expenses Comparison

	Total for 2007	% for 2007 Total	Jan 2008 $$	Jan 2008 % %
BFI	489,565	50.61%	47,069	56.18%
City of Winnipeg	223,990	23.15%	14,618	17.45%
Mid Canada	250,077	25.85%	21,748	25.96%
RM of St. Clement	3,791	0.39%	353	0.42%
2007 TOTAL	**$967,423**	**100.00%**	**$83,787**	**100.00%**

Dolores Krahn
Accounting Manager

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