Agenda - Executive Policy Committee – October 21, 2009

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – October 13, 2009

Item No. 3 Delegated Authority to the Chief Administrative Officer - Put or Pay Agreements with High Volume Private Waste Haulers and other Municipalities
eFile WT-1

STANDING COMMITTEE RECOMMENDATION:

On October 13, 2009, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and recommends to Council:

1. That the Chief Administrative Officer be delegated the authority to approve Put or Pay Agreements with high volume private waste haulers and other municipalities.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

Agenda - Executive Policy Committee – October 21, 2009

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – October 13, 2009

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On October 13, 2009, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

ISSUE: Approval of a "Put or Pay" Agreement for Brady Landfill and delegation of approval authority for future "Put or Pay" Agreements

Critical Path: Standing Policy Committee on Infrastructure Renewal and Public Works – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
D. E. Drohomerski, C.E.T. Manager of Solid Waste	B. D. MacBride, P. Eng. Director, Water and Waste	Mike Ruta	Glen Laubenstein

RECOMMENDATIONS

That Council delegate authority to the Chief Administrative Officer to approve Put or Pay Agreements with high volume private waste haulers and other municipalities.

That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

IMPLICATIONS OF THE RECOMMENDATIONS

- Council sets and approves the tipping fee rates for Brady Landfill.
- In addition, pursuant to Section 211 of The City of Winnipeg Charter, the City of Winnipeg may enter into agreements to provide services in the City; however, Council approval would be required for any agreement. An amendment to the Solid Waste By-Law 1340/76 would also be required.
- The first proposed agreement would provide additional revenue of $480,000 per year. There would be additional operating costs including a longer running time for equipment, additional scale transactions, use of landfill space, a contribution to the Brady Landfill Reserve and a contribution of $2.25 per tonne to Take Pride Winnipeg. The total of these "marginal" costs would be about $10 per tonne. Overall, the utility would be about $240,000 better off with this agreement.
- A Put-or-Pay Agreement is a legal contract that a party (in this case a hauler of commercial garbage) will bring a predetermined amount of garbage to the Brady Landfill in exchange for a preferential tipping fee rate. The hauler pays the total contract price regardless if they have disposed of the agreed upon total.

- A decision to not proceed with Put or Pay agreements such as this may further decrease the amount of commercial and other municipal waste entering Brady Landfill. This will, in effect, decrease revenue to the Solid Waste Utility which will in turn increase pressure on residential tipping fees, the funding of other programs such as recycling, the monitoring of the City's 34 closed landfills and waste diversion activities.
- The agreements will be considered on an individual basis with our largest customers. If the tiered tipping fee is not to be available to all private waste haulers, then it will be important to determine objective criteria and conditions as to when the tiered tipping fee would be available to a private waste hauler so that that there is not a perception of favouritism.
- There is a danger that this type of arrangement could be duplicated by other landfills in order to regain market share. This could lead to downward pressure on landfill tipping fees.

HISTORY

- The Brady Landfill has more than 100 years of service life remaining and the increase in commercial waste would not affect the long-term life of the landfill.
- The Brady Landfill has fixed operating costs regardless of the amount of waste entering the landfill. The increase in commercial waste over existing amounts would increase the operating costs incrementally while providing more revenue to the Solid Waste Utility.
- Brady Landfill is one of three landfills operated in the Capital Region that compete for a share of the commercial waste market. Currently City Council sets tipping fees by bylaw.
- The actual commercial waste market is unknown since other landfills do not publish quantities disposed. However we believe it to be about 240,000 tonnes per year. The City's share of this market fell from over 90% to less than 10% from 1996 to 2000. The City reduced tipping fees at that point to regain market share to about 40% through 2007.
- In March 2008, Council raised the commercial tipping fee rate from $22.50 to $33.50 per tonne, which took effect on April 1, 2008. While overall revenue increased for commercial tipping fees in 2008, actual tonnes of commercial waste have decreased 18%. This material has been diverted to other landfills due to their ability to set variable pricing with commercial customers. In 2008, the City share was about 86,000 tonnes or 36%.
- A private company has approached the Public Service with a proposal to deliver 24,000 additional tonnes of commercial waste pursuant to a Put or Pay Agreement subject to a lower rate than the current tipping fee.
- A second large private waste hauler has expressed interest in a similar Put or Pay agreement for their business coming to Brady Landfill.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 5, 2009

Project Name:

Delegation of Authority to enter into "Put or Pay" Agreements at Brady Landfill

First Year of Program **2009**

	2009	2010	2011	2012	2013
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 40,000	$ 240,000	$ 240,000	$ 240,000	$ 240,000
Less: Incremental Revenue/Recovery	80,000	480,000	480,000	480,000	480,000
Net Cost/(Benefit)	$ (40,000)	$ (240,000)	$ (240,000)	$ (240,000)	$ (240,000)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (40,000)	$ (240,000)	$ (240,000)	$ (240,000)	$ (240,000)

Additional Comments: Agreement is subject to annual renewal by both parties and revenues beyond 2010 are not guaranteed.

"Original signed by D. Capp, C.G.A."

Darlene Capp, C.G.A.
Acting Manager of Finance & Administration

CONSULTATION

In preparing this Report there was consultation with:
Legal Services (as to legal issues)

SUBMITTED BY

Department: Water and Waste
Division: Solid Waste Services
Prepared by: Darryl Drohomerski, C.E.T.
Date: September 4, 2009
File No. 011-15-10-03-01