

June 7, 2018

To: Members
Public Works and Infrastructure Committee

Re: Solid Waste Curbside Collection Services Funding Policy

RECOMMENDATION

1. That City Council approves a policy for waste services that:
 - a. Funds curbside collection services that divert waste from the landfill from general revenues.
 - b. Levies user fees for curbside collection services that direct waste disposal to the landfill, as detailed in Option 2.
2. That City Council directs Administration to bring forward a report in Q4 2018, recommending fees for solid waste services, including opportunities to offset operating costs with other solid waste revenues.
3. That this report be forwarded to the June 25, 2018 City Council meeting for approval.

CONCLUSION

Waste Plan Regina (WPR) describes the goals of its strategy to:

“...provide an integrated solid waste management plan for collection and disposal of residential and commercial waste, and to balance program affordability with community needs, while implementing a plan that considers both efficiencies and revenue opportunities for collection and disposal.”

An established funding policy supports these goals, providing clear direction how to fund existing and future services. It provides criteria that help determine how a service should be funded: user fees, tax-supported, other revenue sources or some combination of all.

As new services and changes to existing services are contemplated, an established policy will determine the appropriate funding model, providing consistency in application while maintaining alignment to WPR’s goals.

Four funding policy options for curbside waste services were explored, ranging from full property tax support to reliance entirely on user fees. Each option was evaluated based on alignment with the following objectives:

- Balancing residents’ expectation of services provided through property taxes and user fees

- Achieving financial sustainability of solid waste services
- Motivating residents' accountability for waste and recycling behaviours
- Providing residents with ability to choose levels of service

The recommendation, Option2, puts forward curbside garbage collection be funded through a user fee, while services that divert waste away from the landfill, such as the current recycling service, be funded from general revenues. The recommendation reflects the community's waste diversion success and provides an opportunity to reward those that have reduced the amount of waste generated, as well as provide motivation to others to follow. This model provides residents with the opportunity to choose the level of curbside garbage service they need through choices of cart size and cart quantity. The less service they need results in a lower user fee.

As well, Option 2 directs Administration to consider the opportunities available to offset curbside collection operating costs through other solid waste revenues. Along with user fees, the solid waste program generates revenue from electrical power and recyclable material sales, stewardship funding and landfill fees. Utilizing a portion of these revenues to offset curbside collection operating costs, could reduce user fees paid by residents or the allocation of general revenues for these services.

BACKGROUND

Prior to the introduction of curbside recycling in 2013, the City of Regina ("City") solid waste program comprised of two distinct lines of business: garbage collection and landfill operations. Currently, the program consists of the following services:

- Own and operate the Fleet Street Landfill
- Provide curbside collection of garbage and recycling services
- Deliver leaf and yard waste seasonal depots
- Deliver household hazardous waste depots
- Manage the Big Blue Bin program
- Deliver waste education through schools, community organizations and at public events
- Promote solid waste services and waste diversion through traditional and social media

Solid waste services are funded from various sources. The Fleet Street Landfill ("Landfill") operates as a cost-recovery unit, funded entirely through tipping fees. Properties that receive curbside recycling services are charged a user fee. Funding for curbside garbage collection is provided from general revenues.

As part of City Council Report *CM17-5 Amended General Operating Budget*, City Council directed Administration to "explore opportunities to establish solid waste management as a self-sustaining utility". A self-sustaining utility can be defined as a collection of related services that rely solely on revenues generated from those services, without financial support from general revenues. This report examines the self-sustaining utility in Option 4, titled "Waste Management Fee".

DISCUSSION

Regina residents are motivated to sort their household waste and want to reduce the amount of waste going to the Landfill. In 2018, market research conducted on waste management services showed:

- 85% of respondents who receive curbside collection services are satisfied with the City's garbage and recycling services.
- Nine out of ten agree that the City of Regina has a responsibility to help reduce the amount of household waste going to the Landfill (91%).
- 68% of residents that feel those who use more garbage disposal service should pay more.

Across Canada, solid waste collection and disposal is financed in a variety of different ways ranging from property tax support to user fees, with many municipalities using a mix of the two. While many cities are currently looking at user fees for curbside waste services, the drivers to implement a user fee are different for each municipality. In some instances, a user fee simply provides the operating funds required to deliver collection services, replacing the reliance on general revenues. As well, user fees have been implemented to establish long-term funding for the closure and decommissioning of a landfill. Both cities of Saskatoon and Moose Jaw have identified a need to explore a "utility-based model" to manage their solid waste program needs.

Four funding policy options, including the current state, were reviewed. Each was evaluated based on its ability to balance residents' expectation of services provided through property taxes and user fees, while considering the "benefits model" as described in the Official Community Plan, financial sustainability for current and future solid waste services and its effectiveness in motivating residents' accountability for waste and recycling behaviours.

The funding policy options presented do not alter the overall cost of curbside services however, each alters the amount contributed from general revenues and user fee revenue. This will impact the amount users pay per household, as there are more ratepayers than properties receiving curbside services. Opportunities to offset curbside collection costs with other solid waste revenues, resulting in reduced allocation from general revenues or user fees is discussed at the end of this section.

Curbside Funding Policy Options

Option #1 - Current state

Policy choice:

- Maintain the current state.

Policy details:

- Curbside garbage collection and disposal is funded from general revenues.
- Curbside recycling collection and processing is funded through a user fee.

Benefits:

- Residents expect property tax to pay for garbage service.

- Meets the basic needs of the community.
- Recycling user fee has been widely accepted by the community.

Risks:

- Rising garbage collection operating costs create competing financial priorities within the general operating budget.
- Not all residents receive the service, yet all ratepayers contribute to general revenues.
- All households pay the same recycling user fee, regardless of ability to pay.
- Residents are not aware of costs associated with the garbage service they receive.
- There is no motivator to reduce or divert waste as no financial incentive exists to reduce garbage generation.
- No choice for residents to “right-size”, that is, to select the cart size and quantity each household needs.
- Does not provide any direction for funding future curbside services.

Option #2 – Pay as you throw (PAYT) garbage (Recommended)

Policy choice:

- Fund curbside collection services that divert waste from the landfill from general revenues.
- Charge a user fee for curbside collection services that direct waste disposal to the landfill.

Policy details:

- Eliminate the recycling user fee and apply a user fee to curbside garbage collection.
- Provide households with choices to “right-size” their garbage collection needs.
- User fees would vary depending on cart size and cart quantity.
- Current curbside recycling collection and any new curbside services that divert waste from the landfill are funded from general revenues.

Benefits:

- Residents would have curbside diversion services funded from property tax.
- Residents would have choices to customize garbage service and pay only for the level of service needed.
- Residents would be motivated to divert more waste from the landfill.
- The demand on the general operating budget would decrease as the operating costs associated with recycling are less than garbage collection.

Risks:

- Residents expect garbage collection to be a service paid for by property taxes.
- Removing services from property taxes raises concerns regarding residents’ ability to pay.
- Based on current operating costs, a user fee for garbage collection would be more than the current recycling user fee, due to collection frequency and waste volume.
- Additional diversion services, such as a curbside organic waste service, would increase funding requirements from the general operating budget.

- Not all residents receive curbside recycling service, yet all ratepayers contribute to general revenues.

Option #3 – Base Service

Policy choice:

- Fund a base, mandated level of curbside services from general revenues.
- Charge a user fee to households that request more than the base level of service.

Policy details:

- The City would provide each household with the minimum mandated service: garbage cart, recycling cart and any future curbside service. The costs to provide these waste services would be funded from general revenues.
- Residents requiring additional capacity, such as a larger garbage cart, or additional garbage or diversion carts, would be levied a user fee.

Benefits:

- Residents would receive all available curbside services, funded from property tax.
- Recycling fee is eliminated.
- Residents that require more waste disposal or diversion capacity, could request and pay for additional services.

Risks:

- Operating costs of all curbside waste services would be funded from general operating budget, raising the allocation from general revenues, with marginal revenue earned from residents requesting additional service.
- Residents would have no incentive to reduce and divert waste.
- Not all residents receive the service, yet all ratepayers contribute to general revenues.

Option #4 – Waste Management Fee

Policy choice:

- Adopt a single waste management fee for all curbside waste collection services.

Policy details:

- A single fee for curbside waste collection is applied to garbage, recycling and any future curbside services.
- Provide households with choices to “right-size” their garbage and diversion collection needs.
- Curbside services are funded from a user fee based on cart size and cart quantity.

Benefits:

- All solid waste activities are fully funded from revenues earned from solid waste services and activities.
- The solid waste program and services no longer require allocation from general revenues.

- Residents would have choices to customize all curbside services and pay only for the level of service needed.
- Residents could be motivated to reduce the amount of waste generated in their household.
- Creates awareness of the cost of curbside waste services.
- Eliminates the conflict among different property-type owners, those that pay property taxes but do not receive curbside garbage collection. Only those receiving service are paying for the service.
- Closest alignment to Financial Policy 1.1.2 in the Official Community Plan: “Where the benefits of a program or service are directly attributable to specific beneficiaries, the costs are to be paid through user fees or other similar charges”.

Risks:

- Some residents expect property taxes to pay for garbage collection.
- Residents may expect a proportional reduction in property taxes if a user fee is levied for curbside waste collection.
- Residents may perceive user fees as another form of taxation.
- May raise concerns regarding residents’ ability to pay.

Option 2 is recommended as it provided the benefits that best addressed the desired objectives. PAYT provides residents with choices to customize their garbage collection needs. Those that require less service will benefit from a lower user fee; those that need more, will be able to receive that service at an additional cost. As well, Option 2 acknowledges that there exists an expectation that property tax pay for some level of waste service. PAYT funds curbside diversion services from general revenues, supporting the efforts to reduce the amount of waste disposed at the landfill.

Opportunities to Offset Curbside Collection Costs with Other Solid Waste Revenues

The four funding options presented above do not alter the overall cost of the solid waste program. They examine how services could be funded with the primary objective to motivate residents to reduce waste by putting forward financial incentives through service level choices.

The solid waste program, along with charging a user fee for curbside recycling, generates revenue from operating the Landfill, the sale of electrical power and recyclable materials as well as stewardship funding to support the City’s recycling program.

Historically, each of the services within the program have been managed as singular full-cost recovery units, such as landfill revenues offsetting landfill costs and power sales supporting the operation of the landfill gas to energy facility. Any operating surplus which results from annual revenues exceeding expenditures is transferred to the Solid Waste Reserve (“Reserve”). Conversely, any operating deficits are withdrawn from the Reserve in order to fund the shortfall. The Reserve is used to fund capital expenditures for all Solid Waste programs.

Opportunities exist where operating surpluses from one activity could be used to offset curbside collection costs resulting in reduced allocation of general revenues for solid waste services or user fees, depending on the curbside funding policy adopted. These opportunities could apply equally to all four options presented above.

Reports recommending fees for landfill operations and curbside waste services will be brought forward to City Council in fall 2018. The report will include options and impacts of using other solid waste revenues to offset curbside collection costs.

RECOMMENDATION IMPLICATIONS

Financial Implications

The recommended funding policy will eliminate the current recycling user fee. It will introduce a curbside garbage collection user fee, that would apply to the same group of designated properties that currently pay for curbside recycling service. The user fee for garbage would most likely be higher than the current recycling user fee, based solely on the higher costs associated with garbage collection. Conversely, the recommendation provides residents with options to reduce the garbage user fee through level of service choices to suit their individual households.

As well, the recommended funding policy will reduce the allocation of general revenues to the solid waste program by approximately \$2.5 million, reflecting the lower cost of the recycling service compared to garbage collection. Considering the opportunities to offset curbside diversion collection costs with other solid waste revenues, a further reduction to the allocation of general revenues could be realized. However, future curbside diversion services, such as an organics waste service would require funding from general revenues.

Environmental Implications

The City's waste diversion programs are part of the integrated solid waste management plan for the collection and disposal of waste, which ensures protection of the natural environment by following provincial regulation and best practices.

A user pay for garbage model provides an effective economic incentive for users to reduce waste and fully utilize diversion programs.

Policy and/or Strategic Implications

The public identified eight community priorities during the development of the OCP, which were endorsed by City Council in 2012. The continued implementation of WPR directly contributes to four of these priorities:

- Promote conservation, stewardship, and environmental sustainability
- Achieve long-term financial viability
- Foster economic prosperity
- Optimize regional cooperation

Continued implementation of WPR contributes to achieving the OCP's Community Priorities by encouraging the City to embrace new operational processes, such as leading practices for waste management, optimizing the useful life of the Fleet Street Landfill. Extending the life of the

Landfill contributes to long-term revenue growth and financial sustainability of the waste management program.

Other Implications

A date to implement the recommended funding policy will be determined based on the requirements of impacted City processes.

Amendments to *The Waste Management Bylaw, 2012*, No. 2012-63 and all other City bylaws affected by the adoption of the funding policy will be required.

Accessibility Implications

None with respect to this report.

COMMUNICATION

A strategy and plan will be developed to advise residents of the impacts of the recommendation. On-going public awareness and education campaigns focus on encouraging residents to divert waste from the landfill.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,



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