

COMMITTEE OF THE WHOLE SEPTEMBER 3, 2002

WASTE MANAGEMENT AND WINTERIZATION EXPENDITURE INCREASES IN 2003 (ITEM 6, BUDGET SUB-COMMITTEE MEETING OF AUGUST 22, 2002)

Recommendation

The Budget Sub-Committee recommends:

That the recommendation contained in the following report of the Commissioner of Engineering and Public Works, dated August 22, 2002, be approved.

Report of the Commissioner of Engineering and Public Works

The Commissioner of Engineering and Public Works recommends that this report be received for information.

Purpose

To update the Budget Sub-Committee on the waste management and winterization expenditure increases expected to be incurred in 2003.

Background - Analysis and Options

In 2003, there will be two significant operating expenses that the Budget Sub-Committee should be aware of. These are in the area of waste management and winter maintenance operations.

Waste Management

As per the previous report to Council in February of this year, there is a financial impact to the City of almost \$3 million as a result of Keele Valley Landfill site closing. As such, the net cost for waste management will increase significantly in 2003.

An additional \$780,000 (approx.) will be required to cover waste transfer costs. Currently, waste is taken directly to the final disposal destination. With the closure of Keele Valley, the City will take its material to the Miller Waste transfer facility in Markham, where it will be transferred from the small collection vehicles to larger tractor-trailers. The material will then be trucked to the final disposal destinations.

Notwithstanding that the unit prices for collection will not increase, an additional \$460,000 (approx.) will be required to cover the costs of growth and changes to the collection programs in 2004. This additional expenditure represents the additional collection costs to service the new residents, the additional processing to handle the additional materials collected through the various waste reduction programs offered by the City, and additional staff to promote and manage the new 3 stream system scheduled to start January 1, 2004.

An additional \$88,000 (approx.) will be required to cover the additional disposal costs. This does not seem significant because the current expenditures for waste disposal are based on the gross costs for disposal, and do not take into account any rebates or free tonnes.

The financial benefits of the tonnage rebate and free tonnes are not accounted for in the Public Works budget. However, together, they represent a financial impact of approximately \$1,666,265 in reduced revenues to the City.

The additional expenditures of approx. \$1.328 million, and the reduced revenues of approx. \$1.666 million, represent almost a \$3 million impact to the City.

A report will be presented at a future Working Session that will outline various options for Council to consider to increase waste diversion levels, and potentially reduce disposal and collection costs.

Winterization

In order to reduce expenses to meet the 2002 Operating Budget target, \$450,000 was taken out of the winterization programs during the 2002 Budget preparation process. Due to the extremely mild winter, this reduction of funds was possible without any impact on service levels. In order to ensure adequate funds are available to handle what is considered an "average" winter, \$450,000 will be required to be returned to the various operating accounts.

Through negotiations with our contractors and the City's Purchasing Department, the residential driveway windrow clearing contract was extended for one additional year at no additional cost per driveway. The contract will now expire at the end of the 2002-2003 winter season. At the same time, the contracts for winter road maintenance (salting and ploughing) expire. As such, the cost to provide these services may increase above the inflation factor, and will no doubt take into account the increased operating costs (fuel, insurance, leases etc.) incurred by the contractors.

The existing contracts will have been in place for 3 years (4 years for the windrow service) at their expiration. Assuming that there will be an increase of at least 10% over existing costs, the net impact of re-tendering the winter road maintenance contracts could be approximately \$267,000, excluding the growth factors. The impact of re-tendering the windrow contracts may not be as significant. However, even a 5% increase would result in an increase of \$95,000 over the approved 2002 budget for this service, not including growth.

Based on the new contracts starting in November of 2003, only a fraction of the price increases will be incurred in 2003, with the full impact being felt in 2004.

Conclusion

A total of approximately \$1.328 million is needed to cover the additional waste management costs in 2003. Combined with lost revenue and rebates, the financial impact of the Keele Valley Landfill site closing is almost \$3 million.

Excluding growth, an additional \$450,000 is needed to ensure winterization programs for 2003 are funded to manage an "average" winter.

New winter road maintenance contracts could result in significant expenditure increases, but the impact will only be a fraction of the 2004 impact.

Attachments

N/A

Report prepared by:

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Respectfully submitted,

Councillor Bernie Di Vona, Chair