



TOWNSHIP OF NORTH HURON

REPORT

Item No.

REPORT TO: Reeve Vincent and Members of Council
PREPARED BY: Jeff Molenhuis
DATE: 03/04/2017
SUBJECT: Garbage and Recycling Curbside Collection RFP Results
ATTACHMENTS: NONE

RECOMMENDATION:

THAT the Council of the Township of North Huron hereby receive the report Garbage and Recycling Curbside Collection RFP Results;

AND THAT the Council of the Township of North Huron hereby directs staff to engage the public on the preferred Option B - Bi-weekly Curbside Collection for Garbage and Recycling and other associated potential impacts or initiatives with that option;

AND THAT Council hereby directs staff to report back to Council with the results and a firm recommendation for contract award;

AND THAT Staff be directed to engage in a detailed service and rate review for the solid waste operation, and develop a plan to reduce the impact of solid waste to taxation.

EXECUTIVE SUMMARY

At the March 6th Council meeting, Staff provided an update on the Curbside Collection RFP. The RFP was circulated to potential bidders on February 24th with a closing date of March 16th. The RFP was structured requesting a 3 year contract period in part to allow a period of time for the new Waste Diversion Ontario (WDO) and Resource Productivity and Recovery Authority (RPRA) legislation with respect to the Waste Free Ontario Act to materialize from strategic planning to implementation. This Act considers fundamental changes to waste production in Ontario whereby producers become responsible for “end of life” management of their products. There is consideration to funding increases for the Blue Box Program; however, there are still quite a few questions around how these will be implemented moving forward. With transition through Waste Diversion Transition Act to producers eventually being obligated to recover their own products, municipalities may have the option of opting out of certain recycling programs or may partner with producers to aid in recovering their products. The framework, at this time, is not clear. In addition, the potential impact to municipal budgets is not clear; however, it is presumed in some regard that the municipal cost to recycling will be reduced, if not phased out completely. Currently, the Township has a direct cost for curbside collection of recyclables, but a revenue stream from the WDO grant offsets approximately 50% of the curbside collection cost for recycling annually. The 2016 refund from WDO was approximately \$50,000. From a waste industry perspective, the expectation for full transition to the new legislation will come to fruition with impacts to municipalities in the 3-5 year timeframe.

Staff undertook a survey relating to curbside and landfill activities in early 2017. The results were made available to Council through the March 6th Council Report Curbside Collection of Solid Waste

and Recyclables – Survey Results and RFP Report. The results of the survey were used to help formulate the RFP, and are being used in consideration to recommendation for award.

The Solid Waste service line, on an average year, has approximately \$230,000 impact to taxation as the difference between revenues generated in the service line against expenditures to provide solid waste programs. These programs include such things as curbside collection of various waste streams at the curbside (garbage, recycling, leaf and yard waste, Christmas tree pickup, disposal and landfilling) and at the landfill, as well as landfill disposal. These figures include revenue generated from the Blue Box recycling program.

DISCUSSION

Current Curbside Collection Level of Service

The current contract costs approximately \$190,000 annually, net HST for both curbside collection elements, with garbage at approximately \$110,000 annually and recycling at approximately \$80,000. The current system is manual collection. The recycling format is single stream, meaning eligible recycling items can be co-mingled within the blue boxes. The Township does not offer green bin collection for organic household waste, but does offer various programs for leaf and yard waste pickup and annual household hazardous waste depot through the County. Curbside collection occurs in the urban areas on a weekly basis for both garbage and recycling, with bi-weekly collection in the rural ward. This is represented in option A-A, below.

Curbside RFP Results

The Curbside Collection RFP was developed with consideration to the transitioning WDO/RPRA legislation. The RFP asked for a 3 year contract, as well as pricing on different collection options, including weekly, bi-weekly, and weekly garbage/bi-weekly recycling. Staff also included pricing for the current model of weekly both streams of waste (urban)/bi-weekly both streams of waste (rural).

The RFP was circulated to four bidders with manual and automated waste collection capabilities. At the time of closing, one (1) bid was received in response to the RFP issued. The only responding bidder was our current service provider, Waste Management of Canada Corporation. The bid results were as follows:

	Garbage	Recycling	Sub-Total	Net HST	Total
Option A-A: Existing Collection Format	\$87,206.40	\$113,660.64	\$200,867.04	\$3,535.26	\$204,402.30
Option A: Weekly Collection both (all)	\$101,435.04	\$138,852.00	\$240,287.04	\$4,229.05	\$244,516.09
Option B: Bi-weekly Collection both (all)	\$57,002.40	\$86,234.40	\$143,236.80	\$2,520.97	\$145,757.77
Option C: Weekly garbage (all)/Bi-weekly recycling (all)	\$86,234.40	\$115,466.40	\$201,700.80	\$3,549.93	\$205,250.73
Option D: Recycling Bins at the Landfill	-	\$594.00	\$594.00	\$10.45	\$604.45

Provisional: Waste Audit	\$11,995.00	-	\$11,995.00	\$211.11	\$12,206.11
--------------------------	-------------	---	-------------	----------	--------------------

The RFP asked the bidders to provide annual contract adjustments based on such things as fuel and CPI. The bidder marked a 2% annual adjustment for CPI only. Additionally the bidders were asked to hold their price for 60 days. With the closing date of March 16th, the Township has until May 16th to consider award.

Option A-A, Option B or Option C are most worth considering for award. All three reduce the current cost of curbside garbage collection, with the most significant savings being Option B – Bi-weekly. Through the Blue Box program, 50% of the cost of recycling is returned back to the Township, thereby reducing the impact of an increased cost for this service.

Relevant Survey Results

As noted in the March 6th report, the relevant survey results were as follows:

- 58% of respondents were not in favour of the bag tag system
- 83% of respondents were in favour of weekly curbside collection
- 81% of respondents generate one bag of garbage a week
- 48% of respondents indicated they compost
- 79% of respondents would prefer to pay between \$1-\$10 per month for garbage and recycling services
- 44% of respondents only use the landfill once a year, with 67% indicating they use the landfill for garbage
- Preferred days for using the landfill are Tuesday's (14%) and Saturday's (74%), with minimal preference for Friday (4%)

The survey did ask for their preference with respect to wheelie bin system, with a response rate suggesting 63% would be in support. The context of this question did not take into consideration costs associated with that particular system.

Automated System Proposal

Staff received an unsolicited proposal in the fall of 2016 from an automated collection service provider for curbside collection activities. The proposal requested a long-term (5-10 year) commitment because of start-up activities (purchasing fleet, bins, etc.), and contemplated the need for additional landfill open days. The proposal also required commitment of the WDO refund to the organization, rather than being a revenue stream to the municipality.

Preliminary analysis indicates the proposal would have resulted in increased cost to perform curbside collections services, with reduced revenue stream from the WDO grant, thereby placing more revenue requirements onto the system users. The proposal did consider a subscription fee as a revenue stream; however the additional revenue generated from subscriptions would have to be substantial to offset the increased cost of curbside collection and reduce the impact of solid waste expenditures on taxation. With respect to the long term commitment, Staff was not comfortable

with the timeframe considering the changes to the framework of recycling and the potential for that to impact the Blue Box program.

Curbside Collection - Municipal Comparators

For comparison purposes, municipal comparators are presented below:

	Reported Single Family Households	Reported Population	Reported Residential Waste (tonnes)	Garbage Schedule	Recycling Schedule
NORTH HURON	2,301	4,884	3,539	w(u)/bw(r)	w(u)/bw(r)
CHATSWORTH	3,161	6,437	1,391	bi-weekly	bi-weekly
HOWICK	1,462	3,123	881	bi-weekly	bi-weekly
SOUTHWEST MIDDLESEX	2,300	5,900	1,464	weekly	weekly
SOUTHWOLD	1,714	4,494	1,209	bi-weekly	bi-weekly
WEST GREY	5,089	12,286	5,060	bi-weekly	bi-weekly
THAMES CENTRE	4,710	13,329	4,246	w/bw seasonal	weekly

Based on our municipal comparators, a bi-weekly schedule is reasonable and, after speaking with our municipal contacts in these locations, are also effective services. Additionally, it should be noted that bi-weekly garbage collection typically improves diversion rates, which ultimately reduces the impact of recyclables or other materials on the landfill site. It does not appear that any of the above listed municipalities provide a compost collection program to divert household organic wastes from the disposable waste stream.

Some of the main concerns around bi-weekly garbage collection are household organic waste, diaper waste management, storage and pest control. With an average of one bag per week per household, these issues could be dealt with by the homeowner purchasing an additional storage container for garbage and additional containers for recycling. For concerns related to household organic waste, the municipality could engage in a program to provide homeowners with kitchen and yard compost bins on an application basis. This would remove the organics from the disposal waste stream and from the garbage cans, thereby significantly reducing the pest attraction, reducing bagged/tagged garbage volumes and diverting more waste away from the landfill.

Solid Waste Service Line – Business Performance Review

Best practice for solid waste management is for the business unit to be largely rate supported through a user pay type of system, rather than funded through taxation or other means. The municipality currently owns two landfill sites (Wingham and East Wawanosh), and is a contributor in the operations of the Blyth-Hullet landfill through a joint board with Central Huron.

Average annual expenditures for solid waste operations total approximately \$430,000 annually, per below.

Consolidated Expenditure Areas	Amount
Administration/Operations Wages	\$64,000
Operational Expense (Materials/Supplies/Machinery)	\$70,000
Reserve – General Solid Waste Operational	\$20,000
Reserve – Landfill Post-closure	\$0
Operations Reporting (Consultant)	\$76,000
Curbside Collection (Contractor)	\$200,000
Capital	\$0
TOTAL	\$430,000

Revenue streams are through three primary sources, totalling approximately \$200,000 annually, per below.

Revenue Area	Amount
Blue Box Grant	\$40,000
Tipping Fees	\$60,000
Bag Tags	\$100,000
TOTAL	\$200,000

The annual average deficit for the solid waste service line is approximately \$230,000 dollars, and does not include any specific reserves for closure and post-closure obligations, or capital or equipment replacement expenditures.

Most survey respondents indicated a single bag of garbage per week per household. The annual bag tag cost for one bag a week is \$130 (\$2.50 x 52 weeks). For the remaining \$230,000 deficit in solid waste operations, the impact adds to taxation by approximately \$100 per household annually.

Bag Tag Program

The current bag tag fee is \$2.50 per tag. The Township sells approximately 40,000 tags a year, for an approximate revenue of \$100,000 annually. The cost of curbside garbage collection under the current contract is approximately \$110,000 annually. It appears the cost of disposal is not included within the bag tag fee rate. While there is not a direct cost to the municipality for disposal in the curbside contract, there is an indirect cost for disposal through Township staff time, general operations costs and long term management costs (closure/post-closure). These are usually captured within tipping or other user fees. From previous data call information, household waste from curbside collection is approximately 350 tonnes, which at the current landfill tipping fee would cost approximately \$33, 250.

Landfill Operations

The landfill is open three days a week for a total of 23 operational hours per staff member per week. Operations typically require two staff present to operate the desk and cash register, help direct users and operate the compactor. The cost of these activities is approximately \$45,500 including wages and benefits. For one full weekday, the labour cost is approximately \$16,700 on an annual basis.

Recommendations

Based on the above, it is recommended that the budget shortfall in solid waste overall be addressed. Staff are recommending a two-pronged strategy to bring the system more in line with a sustainable user-fee funded solid waste program. This two-pronged approach includes the following:

- 1) Reducing direct expenses where possible; and
- 2) Analyzing the waste streams more closely and increasing user rates to provide for a long-term sustainable solid waste operation.

As a result, it is recommended to accept the proposal from Waste Management Canada for Option B – Bi-weekly curbside collection for garbage and recycling. This will save the municipality approximately \$52,000 in curbside costs, and promote increased waste diversion (recycling, organics), and reduce the impact to taxation. The provisional item for a waste audit will not be executed at this time.

Staff recognize that this recommendation constitutes a change in the Level of Service. For that reason, it is recommended that an additional survey be undertaken with specific, targeted questions with respect to the options presented.

Further it is recommended that the landfill operational hours and activities be reviewed in 2017. Finally, it is recommended to review user fees to increase the overall revenue for the service line based on user-pay and reduce the impact of solid waste costs on the tax base. An initial financial analysis with consideration to the curbside recommendations, bag tags, landfill operations hours reductions and tipping fees is outlined below.

Item	Current	Revised	Budget Impact
Curbside Garbage – expense	\$110,000	\$58,000	\$52,000
Curbside Recycling – expense	\$80,000	\$87,800	(\$7,800)
WDO Refund – revenue	\$45,000	\$45,000	\$0
*Landfill Hours (Wages/Benefits)	\$45,500	\$28,800	\$16,700
*Bag Tags (@ \$3/3.25/3.50/)	\$100,000	(\$120/130/140)	\$20-40,000
*Tipping Fees (@ \$105/115/120/)	\$64,000	(\$77/83/\$86)	\$13-22,000
TOTAL (NET SAVINGS)			\$105,000 (reduction)

*Subject to further detailed analysis

Additionally, the Township should engage in a rate study based on a detailed analysis of the waste streams received at the landfill to better refine the waste streams and costs associated with them.

This will also serve to provide more clear and concise communication to the public for waste services, as well as education on waste streams with Township impact to manage those streams.

FINANCIAL IMPACT

For the recommended changes in the curbside RFP, bi-weekly collection reduces the cost by \$44,200 (net) for this service. As demonstrated above, the other potential changes listed could reduce operational expenditures by an additional \$17,000 and increase revenues by \$50,000 for a potential total reduction to taxation of approximately \$105,000, or \$45 per household annually.

FUTURE CONSIDERATIONS

The timeframe requirements for award gives until May 16th to confirm the preferred results to Waste Management Canada Inc. With public engagement, we anticipate to have results back to Council for consideration at the first meeting in May.

For any changes to service, it is recommended to have a strong communication plan put forward from the Township and the curbside contractor. In speaking with other municipal contacts who have engaged in service changes in solid waste, developing a communication and education plan for the months leading up to the change are key factors in successful change management of the service. Additionally, developing programs to support public buy-in, potentially such as user compost programs, are ways to increase public support.

RELATIONSHIP TO STRATEGIC PLAN

Goal 3 the Township is healthy and safe. Goal 4 the administration is fiscally responsible and strives for operational excellence.



Jeff Molenhuis, Director of Public Works



Sharon Chambers, CAO