



Solid Waste Budgets
2006

The City of Kenora, Ontario, Canada

Budget Discussion

Introductory
Information

Budget Overview

Discussion Items

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Solid Waste Operations

The City's solid waste operations are responsible for the collection and disposal of solid waste for the City of Kenora. In 2005 the City processed almost 20,000 thousand tonnes of waste. Approximately 63% of the processed waste is shipped to the Brady Landfill operated by the City of Winnipeg. The remaining waste is placed in the Kenora Area Landfill. These volumes do not include tonnage related to the recycling operations.

The City's solid waste operations are staffed by a complement of 11 full time employees, 2 part time employees, 1 seasonal employee and 1 student. The department deploys their staff to other areas of the City, such as the roads department, as required, based on workload demands, resulting in efficiencies within the department where possible.

There are three types of collection within the City – Urban Residential, Rural Residential and Industrial / Commercial / Institutional (ICI). The City currently provides both urban and rural residential collection, operating on a weekly curbside collection schedule. Private companies offer all three types of collection. The City does not openly compete with these private contractors.

The blue box recycle program is provided at no cost to the residential users. In the past, overall consideration for the solid waste utility included costs related to the recycling program. These expenditures artificially inflated City costs related to the solid waste program for the purposes of rate setting, as well as calculating system surpluses. The decision was made in 2004 to separate the recycling activities from the solid waste operations. Recycling programs continue to be funded by tax dollars through the 2006 municipal operating budget.

Operating Improvements

Improvements to the transfer facility have resulted in further operating efficiencies for the City. In addition, the 2005 capital plan included the purchase of roll off containers to enable the hauling construction and demolition (C & D) materials to the landfill with the new roll off truck. Anticipated operational savings related to this purchase were estimated to be \$53,000 annually, starting in 2006.

These improvements have not, however, been sufficient to fully offset the continued drain on the solid waste reserves. At current projections, these reserves will move into a deficit situation by 2009. It is apparent that the City must make further and significant changes in its solid waste department to ensure the ongoing viability of these operations on a user pay basis, particularly given the impacts related lost revenues due to the recent closure of the local Abitibi Consolidated Inc. paper mill.

Introductory Information

Solid Waste
Operations

Proposed Operating
Improvements

Existing Solid Waste Infrastructure

Major infrastructure related to the City's solid waste operations includes the Kenora Area Landfill and the Kenora Area Solid Waste Transfer Station. The City operates both these facilities under a Certificate of Approval (C of A) from the Ministry of Environment (MOE). The C of A imposes stringent standards for the operations of these facilities. In addition, the City continues to maintain responsibility for the closed Tri-Municipal Landfill site, related to post-closure monitoring and maintenance. Costs related to this post-closure care will continue for a minimum of twenty-five years following the closure of the site in 2000.

The Kenora Area Landfill was put into operations in 2000. The present system of hauling C & D waste to the Kenora Area Landfill allows for a working base of the placement of material across the site, creating improved site stability.

The remaining useful life of the Kenora Area Landfill site is directly related to the volume of waste hauled into it. The current practice of hauling waste to the Brady Landfill site in Winnipeg has significantly extended the estimated useful life for the Kenora Area Landfill site. After adjusting for the contaminated soil and demolition waste that has been brought into the site to date, there is an estimated additional forty years remaining over the original anticipated life expectancy. This assumes that the City will continue to haul 2/3's of its solid waste to Winnipeg. If the site was required to house full volumes related to Kenora solid waste, this would reduce the anticipated remaining life of the site to 35 years.

Based on current requirements, any future City landfill site would be an engineered site with leachate containment and a sewage treatment facility to deal with the leachate. This type of site will be easier to find, but more costly to build. Anticipated costs related to the development of a future site are \$5 million. Additionally, there would be closure costs related to the existing site. While closure costs for the site will be done in phases as the site is filled, final cost for closure is estimated at \$1million for clay cover and vegetation.

A detailed analysis related to the existing solid waste infrastructure, excluding vehicles and equipment, as well as expected useful life has been included on the following page. This analysis shows the estimated annualized cost of capital for both options of continuing to haul to Brady or using the Kenora Area Landfill.

Introductory Information

Existing Solid Waste Infrastructure

City of Kenora
Solid Waste Operations
Estimated Future Annualized Capital Needs
Garbage Shipped to Winnipeg
(in thousands of dollars)

	Replacement Cost	Useful Life	Annualized Cost
Major Capital Assets			
Transfer Facility	\$ 1,000	25	\$ 40
Landfill Site	5,000	80	63
Closure Costs for Old Site	1,000	80	13
	\$ 7,000		\$ 116

City of Kenora
Solid Waste Operations
Estimated Future Annualized Capital Needs
Jones Road Landfill Option Implemented
(in thousands of dollars)

	Replacement Cost	Useful Life	Annualized Cost
Major Capital Assets			
Transfer Facility	\$ 1,000	25	\$ 40
Landfill Site	5,000	35	143
Closure Costs for Old Site	1,000	35	29
	\$ 7,000		\$ 212

2006 Budget Highlights

The 2006 operating budget projects a net surplus from operations of \$61,498. The operating budget continues to show efficiencies created through the use of internal staff and equipment, and the reduction of reliance on private contractors.

As a result of the local Abitibi paper mill closure, the 2006 operating revenues have been reduced to reflect decreased volumes of material waste handled through the Kenora Area Solid Waste Transfer Facility.

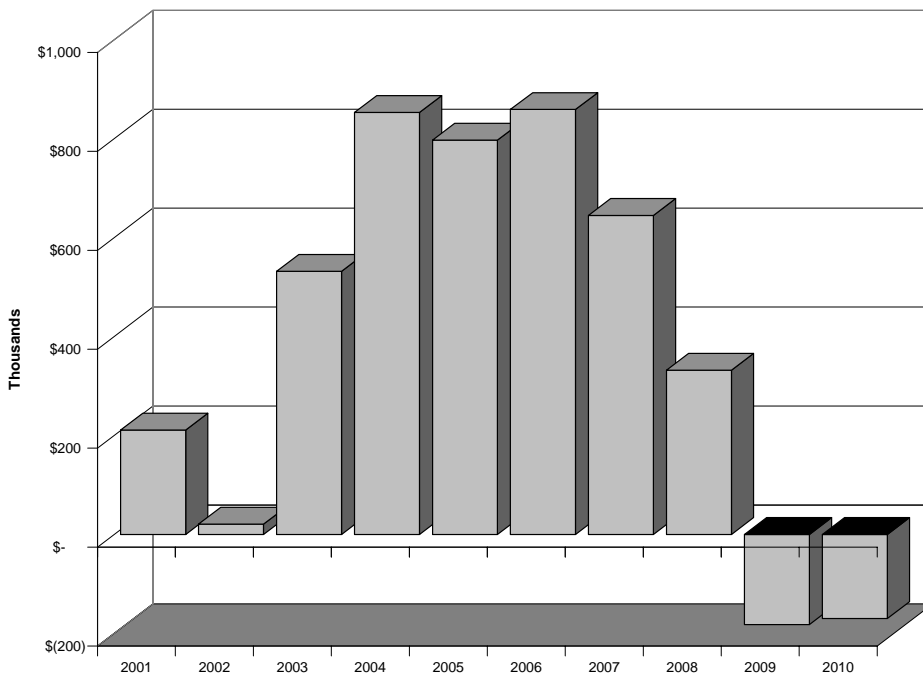
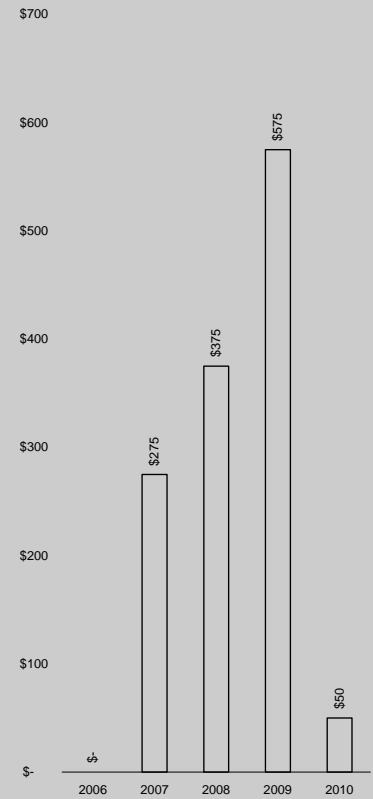
There are no proposed capital expenditures for 2006. A chart outlining proposed system capital expenditures over the next five years has been included on this page to the right for reference purposes.

Actual and Projected System Funding Available

The City has struggled, at best, to establish its solid waste operations as a full user pay service. It has only been in the past few years, due to a significant spike in tipping fee revenues in 2003 and 2004, related to the demolition of the Kenora Central public works facility and the removal of waste material deposited on City lands, that the City has been able to establish some accumulated surplus to fund ongoing capital expenditures. In addition, the City has been able to establish some operational efficiencies without affecting services provided. Around the time of amalgamation, the consolidated solid waste operations reflected budgeted losses, with a significant demand on taxpayer dollars. Today, the operating budgets reflect modest surpluses before capital expenditures. It should be noted, however, that based on the ongoing capital demands, there are not sufficient sustainable revenues to fully fund the solid waste operations. The City will be performing a detailed review of these operations, and will be bringing recommendations for changes back to Council in 2006 for implementation before the 2007 budget year.

The following table outlines the actual solid waste accumulated reserves over the past five years, and projected accumulated system funding over the next five-year period. The analysis included in Appendix 1 provides this information in greater detail.

Projected Capital Solid Waste Expenditures (in thousands of dollars)



Budget Overview

2006 Budget Highlights

Actual and Projected System Funding Available

Use of Kenora Area Landfill vs. Hauling to Brady

Since the establishment of the Kenora Area Landfill, there has been much discussion of the options of either hauling to the Brady Landfill in Winnipeg, or depositing the City's solid waste directly in the Kenora Area Landfill.

Redirecting the City solid waste from the Brady Landfill site to the Kenora Area Landfill site would result in some operational savings related to the elimination of tipping fees currently paid to the City of Winnipeg, as well as an estimated significant reduction of hauling fees. The Kenora Area Landfill site, however, is currently operated on a part-time basis. There would be incremental costs associated with moving the Kenora Area Landfill site to a full time operation. An overview of the estimated savings and costs related to this change are as follows:

- ❑ Tipping Fees – The City currently holds an agreement with the City of Winnipeg for a five-year term. This agreement was ratified on 25 August 2004. The agreement sets out the tipping fees of \$22.50 / tonne, with subsequent annual adjustments equal to the percentage change in the consumer price index (CPI) for Winnipeg. These are currently estimated at \$202,500 / annum, based on an estimated tonnage of 9,000 / annum. These fees would be eliminated through the use of the Kenora Area Landfill site.
- ❑ Hauling Fees – The City signed a five-year agreement with Northern Bulk (Gardwine) on 26 November 2003 for hauling. This agreement includes an escalation clause based on 60% of the percentage change of the CPI for Winnipeg, plus 40% of the change of the price of Kenora diesel fuel overall for the preceding twelve months. The City currently pays \$689 / load to haul solid waste, or approximately \$248,000 / annum based on an estimated 360 loads. The City does, however, receive a reduction of \$100 / load where Northern Bulk is able to backhaul on the run. There would be additional savings related to a reduction in these hauling costs through the use of the Kenora Area Landfill site. The current estimate of savings could be as high as 50%, or \$124,000 annually.
- ❑ Staffing Component – The City would be required to increase the staffing complement to enable full-time operations of the Kenora Area Landfill. It is anticipated that the City would require an additional 2 staff members, resulting in an anticipated cost to the City of \$110,000 annually
- ❑ Cover Material – The C of A requires cover material to be placed on the site on a daily basis. Estimated incremental costs relating to this are \$75,000 annually.
- ❑ Kenora Area Capital Requirements – There are some concerns related to the current accessibility of the site. There are difficulties with site access following periods of rain. In 2004, City crews were unable to access the site for periods of up to 3 weeks at a time. This would be unacceptable if the site was operating on a full-time basis. Redirecting solid waste to the Kenora Area Landfill site would require further capital works to the site to correct this. This would relate to road improvements and site drainage, and would be a one-time cost estimated at \$100,000.
- ❑ Annualized Equipment Requirement – Changing the operations of the site would require the purchase of a new compactor for an estimated cost of \$575,000. This compactor would have a life expectancy of approximately 15 years, representing an annualized cost of \$38,333. The purchase of this compactor would be required in the third year of full operation.
- ❑ Estimated Future Annualized Capital Component – As discussed previously, there would be a reduction of the remaining estimated useful life of the Kenora Area Landfill site from 80 to 35 years. The anticipated increase in the estimated future annualized capital cost would be approximately \$96,000 / annum.

Discussion Items

Use of Kenora Area Landfill vs. Hauling to Brady

Use of Kenora Area Landfill vs. Hauling to Brady (Cont.)

The following is a summary analysis of the costs and savings related to depositing solid waste directly at the Kenora Area Landfill site:

	Projected Costs / Savings
Anticipated Savings	
Tipping Fees	\$ 202,500
Landfill Site	124,000
	326,500
Incremental Costs	
Staffing Component	\$ 110,000
Cover Material	75,000
Annualized Equipment Requirement	38,333
Future Annualized Capital Component	96,000
	319,333
Annualized Anticipated Net Savings (Cost)	\$ 7,167
Incremental Capital Costs - Year 1 Only	\$ 100,000
Purchase of Compactor - Year 3	\$ 575,000

Based on this analysis, the elimination of hauling solid waste to the Brady Landfill site in Winnipeg could save an anticipated \$7,167 annually in solid waste operating costs, after the initial incremental capital requirements.

Other Opportunities

The Solid Waste department continues to explore options for service delivery of their curbside collection program. The following options will be evaluated as it relates to curbside collection: 1) retain the current curbside collection format 2) create a hybrid collection system whereby waste and co-mingled recycle materials are collected at the same time and 3) the elimination of the curbside collection program. An analysis will be undertaken to determine the economic impact to the system based on annual operating costs and future capital expenditures under each scenario as well as the potential effects on the systems customers.

The City will be commencing a service delivery review of the solid waste operations in June 2006. It is anticipated that a final report, together with recommendations for changes to solid waste delivery, will be provided to Council for review and decision making by early September 2006.

Discussion Items

Use of Kenora Area
Landfill vs.
Hauling to Brady
(Cont.)

Other Opportunities

