



City of
Peterborough

To: Members of the Committee of the Whole

From: W.H. Jackson, Director of Utility Services

Meeting Date: September 25, 2017

Subject: Report USWM17-008
Increase in 2017 Budget for Harper Road Compost Facility

Purpose

To seek Council approval to spend additional funds in the operation of the leaf and yard waste operation in 2017.

Recommendations

That Council approve the recommendations outlined in Report USWM17-008 dated September 25, 2017, of the Director of Utility Services as follows:

- a) That the agreement with Astoria Organics Matters Canada LP, 704 Phillipston Road, Belleville, Ontario, K0K 2Y0 be increased by \$150,000, from \$211,000 to \$361,000 plus HST of \$46,930, for a total cost of \$407,930; and
- b) That the additional costs in recommendation a) plus \$153,000 in additional expenses and lower revenues related to 2017 Compost Site Operations be funded within the overall Waste Management activity..

Budget and Financial Implications

The \$305,640 increase in budget can be accommodated within the total Waste Management budget. The additional funds for the leaf and yard waste operation are available within the Recycling Program Revenue account which is expected to end the year with approximately \$700,000 more than budgeted.

A breakdown of the budgetary increases for the compost operation is as follows:

- Astoria agreement – an increase of \$152,640 after applicable HST rebates to accommodate the additional work anticipated to be done by Astoria in 2017
- Public Works loading – additional loading costs required by Public Works staff, estimated to be approximately \$100,000
- Lost revenue – Compost sale revenues which have not been realized in 2017 account for a \$53,000 shortfall in the facility budget.

Background

Council, at its meeting of December 12, 2016 in considering Report USWM16-006 authorized the engagement of Astoria Organics Matters Canada LP to haul and process the City's leaf and yard waste material from the Harper Road Compost facility.

The advantage of this arrangement was that it allowed the City to disengage itself from the day-to-day business of composting leaf and yard waste. This was significant given the regulatory requirements, ongoing aspects of operating the compost facility and increasing costs.

Why the Need to Increase the Compost Facility Budget in 2017

The main reasons to increase the compost facility budget in 2017 are:

- The need for additional hauling/processing funds;
- The need for additional loading funds; and
- The reduced revenue received for compost

Hauling and Processing

There are a number of reasons for the request to increase the hauling/processing agreement with Astoria Organics Matters as described below.

- i. Compost material is collected year round but, for the most part, the spring and fall collections generate the vast majority of the material. Although City budgets are based on the calendar year, the operation of the compost facility is not. Generally, fall collections are ground late in the year and processing continues into the next following year. Given the late approval for the change in operation of the compost site, the 2016 fall collection could not be ground, loaded and transported to Astoria until 2017. Operating budgets do not carry forward into the next year so, accordingly, the 2017 budget was immediately burdened with costs that, more appropriately, were 2016 costs;

- ii. In an effort to more “normalize” the compost facility budget, it is now proposed to immediately grind and haul the 2017 fall collection so that the charges will be incurred in 2017. This will allow the 2018 budget to deal only with material collected in 2018 and will finally align the budget process with the operation of the facility; and
- iii. The wet 2017 summer season will create additional leaf and yard waste material beyond that estimated when the 2017 budget was created. Although the unit prices to will remain constant, the additional material will cost more to haul, load and process.

It is estimated that this portion of the operation will need an increase of \$150,000 exclusive of taxes for 2017.

Loading

The additional processing outlined above will result in increased loading of material done by internal forces. Coupled with unexpected inefficiencies in loading because of the sporadic and inconsistent transportation of the ground material, there is a large amount of down time for staff in between loads, and more frequent moving of the loader to and from the Harper Road Site. The efficient, continuous hauling operation that was anticipated has proven not to be possible. Although the loading costs at the Harper site are higher than anticipated, these are internal costs and are basically a closed loop meaning if the costs were not incurred at the Harper site then the costs would be incurred in some of the other budget items with Public Works. No additional tax dollars are necessary for the increased internal costs.

It is estimated that this portion of the operation will need an increase of \$100,000 exclusive of taxes for 2017.

Lost Revenue

The late 2016 changes to this facility’s operations resulted in far less material being on-site to distribute and sell. Consequently, a reduction in compost revenues was not reflected in the 2017 budget, which had been completed earlier.

It is estimated that this portion of the operation will see a reduction of \$53,000 in 2017.

Where will the Additional Funds Come From

When additional funds are required, the first place to look is within the requesting Department’s budget.

In this instance, the Recycling Program Revenue account within the Waste Management Budget is on track to be over budget by approximately \$700,000 because of higher than anticipated prices for recyclables. In total then, the Waste Management budget will be able to absorb the requested additional leaf and yard waste funding without the need to tap into any reserve accounts.

Summary

To properly align the leaf and yard waste operation with calendar year budgeting, additional funds are required for the grinding, loading and hauling of material in 2017 and to account for lost revenue. The funds are available within the overall Waste Management budget and, accordingly, no additional tax revenue or reserve accounts will be involved in the proposed budget increase.

Submitted by,

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