



REGIONAL DISTRICT OF NORTH OKANAGAN

COMMITTEE OF THE WHOLE MEETING

Wednesday, June 15, 2011

1:30 p.m.

AGENDA

A. APPROVAL OF AGENDA

1. Committee of the Whole – June 15, 2011

RECOMMENDATION 1

(Unweighted Corporate Vote – Simple Majority)

That the Agenda of the June 15, 2011 regular meeting of the Committee of the Whole be approved as presented.

B. NEW BUSINESS

1. Solid Waste Management Funding

- Staff report dated June 6, 2011

RECOMMENDATION 2

(Weighted Stakeholder Vote)

That the guiding principles, as outlined in the June 6, 2011 staff report regarding Solid Waste Management Funding be endorsed by the Board of Directors and be used when developing the 2012 Solid Waste Management Financial Plan.

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C. ADJOURNMENT



**REGIONAL DISTRICT
of
NORTH OKANAGAN**

REPORT

File No.: 5363.0

TO: Committee of the Whole
FROM: Engineering
DATE: June 6, 2011
SUBJECT: 2011 Solid Waste Management Funding Options

RECOMMENDATION:

That the following guiding principles be endorsed by the Board of Directors and be used when developing the 2012 Solid Waste Management Financial Plan:

1. Increase the base disposal fee for refuse annually by a minimum of the BC Consumer Price Index
2. Annually until 2020, increase the Landfill Closure/Post Closure Reserve Fund by \$1.00/tonne
3. Maintain the sustaining capital reserve contribution from Recycling and Disposal Fees at \$5/tonne for the period 2012 - 2016
4. Starting in 2012, requisition \$400,000 per year from all property owners in the Regional District of North Okanagan as per Service Establishment Bylaw No. 1352, 1996 with the funds to be used for solid waste management capital projects
5. Ensure the Blue Bag Recycling Program is self sustaining by funding both collection and processing costs through a utility charge to participating households
6. Direct any annual surpluses to a Solid Waste Management Operating Reserve until the reserve balance is equal to 20% of annual Solid Waste Management facility operating costs
7. Direct any annual surpluses occurring after the Solid Waste Management Operating Reserve balance is equal to 20% of annual Solid Waste Management facility operating costs to the Landfill Closure/Post Closure Reserve Fund
8. Use short term borrowing when needed to address short term cash flow issues
9. Present proposed Solid Waste Management fees and charges to the Board of Directors annually a minimum of 90 days prior to the end of each calendar year and implement any changes on January 1 of the following year.

DISCUSSION:

There is a pressing need to review the long term financial status of the RDNO solid waste management function. At the present time the function is funded through using a "user pay" model with no funding from taxation. The RDNO currently has a significant unfunded future liability for closure and post closure monitoring of the current landfill sites. This future liability is estimated at \$26,000,000 by 2049. RDNO solid waste management will also require significant capital funds to

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maintain and upgrade facilities and to comply with the Landfill Gas Regulation. In order to fund these requirements, recycling and disposal fees will have to be increased significantly or another source of funding must be found.

At their March 3, 2010 meeting the Board of Directors requested that staff report back to the Committee of the Whole with a comprehensive and long term revenue strategy for the solid waste function. At their October 6, 2010 meeting the Board of Directors asked that Directors Acton, Hansma, and Lippert meet with the Regional Engineering Services Manager to identify issues surrounding the use of Development Cost Charges and other funding alternatives for municipal solid waste infrastructure and subsequently bring that information to the Committee of the Whole for discussion.

The guiding principles listed above have been developed in consultation with the task group (Directors Lippert and Acton), the General Managers of Finance and Engineering, the Administrator and solid waste management staff. Table 1 below outlines the expenditures expected for the next 10 years. Based on current recycling and disposal fees the revenue shortfall for the period 2011-2015 is projected to be approximately \$3,600,000. For the period 2016-2020 the projected revenue shortfall is projected to be approximately \$1,830,000. The guiding principles listed would ensure the long term financial stability of the solid waste management function and would provide a level of certainty with respect to recycling and disposal fees. Large increases in these fees would be avoided in future. The Power Point presentation that will accompany this report will provide additional details on the current and future financial position of the solid waste management function.

The development cost charges item has recently been dealt with through a resolution to the Southern Interior Local Government Association and may continue to the Union of BC Municipalities at their next convention.

One hundred percent user pay has been the funding mechanism of choice since implementation of the RDNO Solid Waste Management Plan in 1996. Therefore, any amendments in this regard should be included in the 2011 Plan Update currently being prepared.

BACKGROUND/HISTORY:

On February 17, 2011, the Board of Directors' task group met with the Manager of Regional Engineering Services and reviewed information regarding the status of the solid waste management finances and the options available to bring about a positive change.

LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:

Service Establishment Bylaw No. 1352, 1996 provides the authority to requisition all property owners in the region up to \$2,000,000 per year.

The Solid Waste Management Plan states the following:

- The RDNO will maintain the Solid Waste Function financially using full cost recovery strategies including utilization of user pay systems, e.g. tipping fees at all Regional landfills.
- The RDNO will maintain a capital reserve fund to ensure funding is available for all landfill and

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transfer station closure and post-closure costs.

- Under bylaw, RDNO may develop a reserve fund to finance any capital expenditures required to expand or upgrade an RDNO recyclable material processing facility.
- The RDNO will offer MSW reduction and recycling programs to all residents within the RDNO on a user-pay and/or cost recovery basis.
- The RDNO will consider the provision of MSW reduction and recycling programs for businesses within the RDNO on a user-pay and/or cost recovery basis.

FINANCIAL/BUDGETARY CONSIDERATIONS:

Table 1 below summarizes estimated expenditures over the next 10 years, including capital (facility upgrades, buildings, major repairs, potential property purchases) and closure requirements. Allocated revenue is also shown in the table. Allocated revenue is the revenue generated through the Closure Reserve Surcharge (currently \$10/tonne), the Sustaining Capital Reserve Surcharge (currently \$5/tonne) and government grants. The revenue projections are based on 50,000 tonnes per year disposed. The Landfill Closure/Post Closure Reserve Fund, a statutory reserve established in 2010, currently has a balance of approximately \$112,727. As of June 1, 2011 the solid waste function operating reserve balance was \$2,316,818.

The largest anticipated expenditure over the next five years is the Materials Recovery Facility (MRF) for Blue Bag processing, which has been included in the table with a projected cost of \$3,000,000. A report will be brought to the Board of Directors regarding this project by the end of this month.

TABLE 1					
Expenditures			Allocated Revenue		
	2011 - 2015	2016 - 2020	2011 - 2015	2016 - 2020	
Sustaining Capital – Entire Function					
Primary Haul Roads	250,000	325,000			
Storm Water Mngt System	95,000	30,000			
Leachate Mngt System	95,000	50,000			
Entrance Facility Upgrade	25,000				
Alternative Daily Cover System	20,000				
Transfer Station Repair		50,000			
Buildings	30,000				
	515,000	455,000	(1,250,000)	(1,250,000)	<i>\$5/tonne levy</i>
Expansion Capital – Disposal Program					
Landfill Gas Mngt System	1,250,000				

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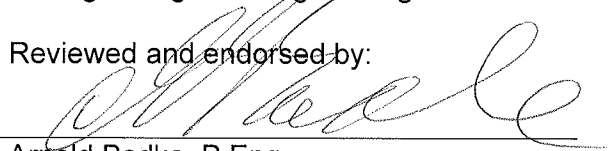
	TABLE 1				
	Expenditures		Allocated Revenue		
	2011 - 2015	2016 - 2020	2011 - 2015	2016 - 2020	
Drop Off Facility Upgrades	40,000	40,000			
	1,290,000	40,000			Unidentified funding source
Expansion Capital - Waste Reduction and Recycling Program					
MRF Construction	3,000,000				(Gas Tax Grant)
Water Supply	780,000				
Composting Facility	1,000,000		(1,000,000)		
Composting Facility Equipment	100,000				
	4,880,000		(1,000,000)		Unidentified funding source
Landfill Closure/Post Closure (Statutory)					
Property Acquisition	650,000	650,000	-	-	
Closure Costs (Cash)	898,148	4,355,994	-	-	
Post-Closure Costs (Cash)	85,053	78,807	-	-	
	1,633,201	5,084,801	(2,500,000)	(2,500,000)	\$10/tonne levy
Cash Costs	8,318,201	5,579,801	(4,750,000)	(3,750,000)	

Tipping fees approved for implementation in January 2011 are \$85/tonne for regular garbage with a \$3.00 minimum. Variable tipping fees are set for recyclable material and mixed demolition and construction waste.

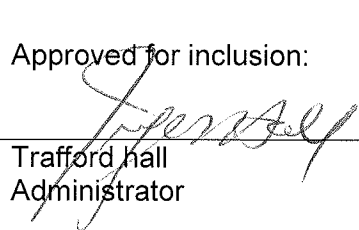
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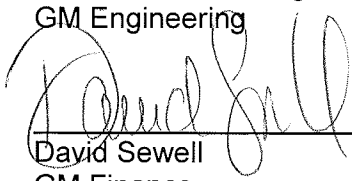

Nicole Kohnert, P.Eng.
Manager Regional Engineering Services

Reviewed and endorsed by:


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Approved for inclusion:


Trafford Hall
Administrator


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