

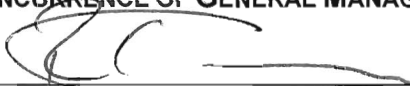

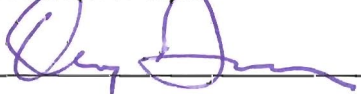


To: Public Works and Transportation Committee **Date:** September 15, 2014
From: Tom Stewart, ASCT.
Director, Public Works Operations **File:** 10-6370-03-01/2014-
Vol 01
Re: **Multi-Material BC – Financial Incentive Status Update**

Staff Recommendation

That the staff report regarding “Multi-Material BC – Financial Incentive Status Update”, dated September 15, 2014, from the Director, Public Works Operations, be received for information.

Tom Stewart, ASCT.
Director, Public Works Operations
(604-233-3301)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	

Staff Report

Origin

In November 2013, Council endorsed an agreement with Multi-Material BC (MMBC) to provide residential recycling services on their behalf, including blue box, multi-family and some depot recycling services effective May 19, 2014. By entering into the agreement, the City accepted the financial incentive offered by MMBC.

Subsequent reports to Council at their April 28 and May 26, 2014 meetings outlined the status of the anticipated financial incentive, including added costs associated with meeting MMBC requirements.

This report advises of recent developments in relation to further MMBC requirements and provides a status update of the anticipated net value of the incentive after all expected additional costs are considered.

This report supports Council's Term Goal #8 Sustainability:

8.1. Continued implementation and significant progress towards achieving the City's Sustainability Framework, and associated targets.

Analysis

The City of Richmond undertook a full program launch to coincide with MMBC's May 19, 2014 go-live date. This included providing for separate collection of glass, combined collection of fibres and an expanded range of materials accepted under the program. As reported to Council at their April 28, 2014 meeting, the incentive program offered by MMBC would not be cost recovery as they had initially intended. In the City staff report, it was initially anticipated that the City would be in a net positive position of approximately \$275,000 in 2014, after added collection and one-time program launch costs were factored in. This financial gain will not be realized in 2014, however, due to recycling material consolidation and split weigh costs, discussed below.

Subsequently, as outlined in a report to Council at their May 26, 2014 meeting, the City incurred further additional costs as a result of MMBC, through their post-collection service provider Green By Nature (GBN), establishing Richmond's drop off location for recycling materials as the Cascades Recovery site in Surrey. The City was informed of this decision on April 8, 2014, after our initial assessment of the value of the incentive offer. It was neither feasible nor cost effective to deliver loads from Richmond to the Surrey site due to the travel distances involved. Therefore, Council approved a recycling consolidation facility arrangement at a local facility in Richmond at additional cost to the City.

The MMBC/GBN-established post-collection drop off location is subject to further discussions with MMBC, per Council's April 28, 2014 meeting, at which staff were directed to work with MMBC to urge them to designate a post-collection site in closer proximity to Richmond. These discussions are on-going.

Split Weigh Protocols

Subsequent to staff's report on the recycling material consolidation arrangements, MMBC has further required that all cities follow split weigh protocols, which add considerably to turnaround times at the recycling consolidation facility, requiring additional resources at added costs. Split weigh refers to weighing each recycling material compartment section individually on the truck, which requires repeated cycling over weigh scales for each load delivered to the consolidation facility. The City was required to comply and the required split weigh protocols were implemented on September 8, 2014. Staff are in discussions with MMBC to urge that they reduce the split weigh requirements to pre-MMBC standard practices in an attempt to reduce or eliminate these costs over the longer term. Pre-MMBC standard practices were based on using averages of approximately 16 split weigh loads per month versus the current requirement, which translates into over 120 split weigh loads per month. These discussions are also on-going.

Overall Expected Financial Position – 2014

In light of the above, the difference between the expected incentive and added costs due to MMBC requirements results in a net deficit position to the City of approximately \$132,750 in 2014 as follows. These amounts assume receiving the full MMBC incentive payment (with no penalty deductions) and are pro-rated commencing May 19, 2014.

Pro-Rated 2014: MMBC Incentive Comparison to Added MMBC Program Costs			
	Original Anticipated <i>(April 28, 2014 Council)</i>	Consolidation Facility Added Costs <i>(May 26, 2014 Council)</i>	Added Split Weigh Requirement <i>(commenced September 8, 2014)</i>
MMBC incentive	+\$1,440,500		
Added costs/lost commodity revenue:			
• Ongoing	-\$646,750		
• Implementation/one-time costs	-\$520,000		
Expected financial benefit	+\$273,750	+\$273,750	
Added post collection consolidation costs			
• Ongoing		-\$200,000	
• One time		-\$140,000	
Revised - Expected cost		-\$66,250	-\$66,250
New – Split weigh requirement			-\$30,500
Other one-time costs for start-up equipment and materials			-\$36,000
Net 2014 anticipated City cost			-\$132,750

Staff note that costs in 2014 are not expected to be reflective of future years due to implementation/one-time costs associated with adapting to changes required to comply with the MMBC agreement. Discussions with MMBC staff are ongoing relating to recycling material

consolidation and split weigh requirements in an effort to reduce these costs to further improve the value of the incentive to the City.

Overall Expected Financial Position – 2015

A review of the 2015 anticipated incentive as compared with added costs associated with MMBC requirements is provided below. This shows that the City can expect to be in a net positive position of approximately \$850,000, subject to any additional requirements imposed by MMBC or penalties imposed.

2015: MMBC Incentive Comparison to Added MMBC Program Costs	
MMBC anticipated incentive	+\$2,289,301
Added initial costs/commodity revenue loss	-\$1,046,190
Added subsequent costs:	
• Post collection consolidation	-\$299,200
• Split weigh	-\$95,793
Net positive benefit	+\$848,118

The costs outlined above are reflected in the 2015 utility budgets and rates. Incentive revenue has been applied to the program to offset the added costs associated with joining MMBC such that there is no change in the rate charged to residents for recycling services under this program in 2015.

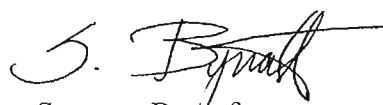
Financial Impact

None.

Conclusion

In agreeing to join the MMBC program, the City has incurred added costs to meet MMBC requirements. These costs are expected to be partly offset in 2014, resulting in a net cost to the City of \$132,750.

In 2015, added costs are expected to be fully offset such that the City can expect to receive a net positive benefit of approximately \$850,000. However, because MMBC revenues remain subject to fines and penalties and MMBC may impose contractual changes that result in extra costs to the City, the value of the MMBC incentive cannot be assured. Therefore, in accordance with previous Council direction, net MMBC revenue will be credited to the sanitation and recycling provision until such time as costs/incentive payments are stabilized. At that time, further information will be brought forward for Council’s review.



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