

STAFF REPORT TO FINANCE AND AUDIT COMMITTEE

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DATE: July 30, 2019

TO: STANDING COMMITTEE ON FINANCE AND AUDIT

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: 2020-2023 Solid Waste User Fees

ATTACHMENT(S): None

RECOMMENDATION(S):

That the Committee recommend to Council approval of a 2% increase for each year inclusive of 2020 through 2023 for the Solid Waste user fees to be effective January 1st of each year, as presented in the report dated July 30, 2019 from the Director of Finance titled "2020-2023 Solid Waste User Fees".

PURPOSE:

The Standing Committee on Finance and Audit is requested to review the financial information described in this report and approve the proposed approach with respect to Solid Waste user fees for 2020 through 2023.

STRATEGIC PRIORITIES:

Providing rate structures that maintain the City's self-sustaining fully funded utilities supports Council's priorities of Sustainable Finance, Sustainable Infrastructure and Organizational Excellence.

POLICY/REGULATORY ANALYSIS:

City utilities are structured to be self-funded through user fees (as per Sustainable Finance Guideline 3) that are invoiced to customers on either a quarterly or semi-annual basis. The rates are developed to provide revenues to fund operating costs, debt payments and maintain a contingency fund. In addition the user fees are required to fund new and renewal of capital infrastructure. Sustainable Finance Guideline 7.0 requires that a contingency of between 5% and 10% of current year's expenditures is to be achieved. Contingency funds are used to fund unexpected expenses and emergency costs. They also reduce the need to borrow temporarily early in the year before revenues from utility bills are received.

FINANCIAL CONSIDERATIONS:

Finance staff has completed a review of the revenue, expenditures and capital needs of the solid Waste utility. That review included a projection for the years 2020 to 2024.

The Solid Waste Service includes residential and commercial curb side collection of refuse through either the automated collection cart program or the loose commercial program. The dominant expenses that drive the user fee rates are the labour to collect the solid waste, Regional District tipping fees and the capital contribution required to purchase the collection trucks. The Collective Agreement between the City of Prince George and CUPE Locals 399 and 1048 expires at the end of 2020 but for the purpose of this analysis, estimates of a 2% increase/year have been used for labour costs. Labour represents approximately 22% of the total expenses of the solid waste utility.

Tipping fees at the Regional District landfill have increased at \$5/tonne/year in recent years and the 2019 rate is \$90/tonne. While 2020 and beyond rates have not been established by the Regional District at the time of this report, Administration has assumed a 5% increase per year to reflect recent trends. Tipping fees represent approximately 30% of the total expenses of the solid waste utility. The Regional District is increasing the tipping fees due to the increased operation costs of the landfill.

The capital needs for the solid waste utility are made up of the fleet of trucks used for the automated collection service and the containers provided to each user as their garbage receptacle. The trucks are worked very hard and only have an estimated service life of 7 years. The average annual reinvestment for the solid waste fleet and the containers are \$531,575/year and \$357,523/year, respectively. This is based on 2019 figures provided by the Asset Management Division and inflated at 2.5%/year. These capital requirements are funded within the solid waste utility and represent approximately 21% of the total expenses of the utility.

With over 70% of the expenses of the utility inflating anywhere from 2% - 5%, it is recommended that the solid waste utility user fees increase at 2% per year to maintain self-sustainability.

The table below provides a 2018 Year history, and projections for 2019 through 2023.

Description	2018	2019	2020	2021	2022	2023
% Increase	2%	0%	2%	2%	2%	2%
Small can	\$3.00	\$0.00	\$3.00	\$3.00	\$3.00	\$3.00
Medium can	\$4.00	\$0.00	\$4.00	\$4.00	\$4.00	\$4.00
Large can	\$5.00	\$0.00	\$5.00	\$5.00	\$5.00	\$5.00
Manual	\$3.60	\$0.00	\$3.61	\$3.68	\$3.76	\$3.83
Revenues	4,624,686	4,590,148	4,708,860	4,828,671	4,949,589	5,071,624
Expenses	(3,522,445)	(3,439,248)	(3,547,163)	(3,659,193)	(3,775,518)	(3,896,326)
Capital Contribution	(1,060,487)	(1,049,659)	(1,150,000)	(1,200,000)	(1,200,000)	(1,200,000)
Surplus/(Deficit)	41,754	101,241	11,697	(30,522)	(25,929)	(24,703)
Surplus as % of Operating Expenses	8.26%	11.40%	11.38%	10.20%	9.20%	8.28%

SUMMARY AND CONCLUSION:

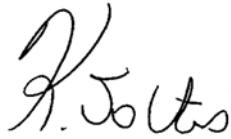
Council has a strategic priority for continuing progressive and responsible fiscal management. The service of the utilities and their infrastructure should be funded through fees paid by the users of the utility. The committee is asked to provide endorsement of the proposed user fee increases that provide for meeting the operational, capital and asset renewal expenses of the solid waste utility.

RESPECTFULLY SUBMITTED:

A handwritten signature in dark ink that reads "Kris Dalio". The signature is fluid and cursive, with the first name "Kris" and last name "Dalio" clearly distinguishable.

Kris Dalio, Director of Finance

APPROVED:

A handwritten signature in dark ink that reads "K. Soltis". The signature is cursive, with a large initial "K" and the last name "Soltis" written in a flowing script.

Kathleen Soltis, City Manager
Meeting date: August 19, 2019