

CITY OF FORT SASKATCHEWAN

Response to Motion - Multi-family Front-Load Waste Collection Rate Assessment

Purpose:

The purpose of this report is to address the motion approved on December 8, 2015 with respect to multi-family waste collection rates. A request was received by Council for a rebate or rate freeze with respect to multi-family waste collection rates for the period of July 1, 2012 to December 31, 2014

Council Motion December 8, 2015:

At the Council Meeting of December 8, 2015 the following motion was passed:

“That Council having considered the presentation from Ken French on November 10, 2015 regarding condominium waste removal charges, hereby directs Administration to provide a report outlining the cost, impact, and next steps should Council approve Mr. French’s request to refund a portion of condominium waste removal charges for the period July 1, 2012 to December 31, 2014, and further that this report is to be completed and presented to Council at the January 12, 2016 regular Council meeting.”

Background:

Rate Philosophy

Between 2003 and 2014 the monthly rate for residential waste collection was based on a postage stamp rate philosophy. All residences, whether a detached home, condominium or apartment, were charged the same rate. The rate was determined by dividing all waste collection program costs by the total number of residences. The philosophy was based on a flat rate per household principal and not the type of collection. This is similar to the practice of charging the same rate regardless of the volume of waste produced. Although volumes of waste generated between households can vary greatly, the cost is spread equally among all households.

From time to time the City reviews its rate philosophy to determine if changes may be needed going forward. This happened in 2014. From that review a revised rate structure with two residential customer classes was recommended to Council during the 2015 budget deliberations.

The cost of service model identifies common costs that are funded by all waste utility customers such as Household Hazardous Waste Roundup, Transfer Station operations, disposal charges and administrative costs. Those charges are assigned to all residential customers, regardless of the method of collection. It also identifies those costs that vary between the two customer classes. In this case, the cost to collect waste at multi-family facilities serviced by front-load collection vehicles, is less than those serviced by individual collection methods.

Meetings with Condominium Representatives

Meetings were held with a group of condominium representatives and Administration in 2015. The condominium representatives believed that a mistake had been made in the way the City had charged them for the cost of collecting waste for their facilities. All fees charged were based on the Council approved Fees and Charges Bylaw. No errors were made in the application of the

Bylaw. All fees collected were used to operate the waste system based on the annual budget approved. No additional money was collected.

The condominium representatives presented their request to Council on November 10, 2015 requesting re-imbursement for the difference in charges between curbside collection and front-load collection methods.

Financial Impact:

A calculation was completed for all multi-family complexes that received front-load collection between July 1, 2012 and December 31, 2014. The difference between what they paid under the postage stamp rate philosophy and the rate they would have paid under the cost of service model is approximately \$386,000 or \$200.00/multi-family household.

Option 1: Support the solid waste rates previously approved in 2012-2014 Fees and Charges Bylaw

This supports Council's authority to set rates in accordance with generally accepted rate making principles, including the postage stamp rate philosophy.

Option 2: Rebate

A rebate to those customers serviced by front-end collection would receive a rebate of approximately \$200.00 if service was provided through the entire period stated in the motion. There are several challenges with providing a rebate:

1. There are three types of multi-family customers: condominium board represented properties, privately owned apartment properties, and those that have individual accounts with the City. It will not be possible for the City to locate residents who may have moved during the period in question to provide them the rebate. The Condominium Boards and privately owned properties will also be challenged with the same task.
2. Should the rebate apply to the current occupant of the residence if the former resident has moved, or just forgo the rebate for that residence?
3. The perceived inequities that providing a rebate will create. As the cost of the rebate would be collected from the single family customer group, concerns from that customer group may arise as they are now actually being surcharged to fund the multi-family customers.
4. There were 249 new single family waste accounts opened in 2015. Many of those residents would not have lived in Fort Saskatchewan during the period of time in question. It could be argued that they will be paying for the rebate when they did not benefit from a postage stamp rate.
5. The precedent this would set is based on a difference of opinion as opposed to an actual error.

If Council decides to rebate the multi-family customers, ideally it would be funded from the Solid Waste Reserve. However, the December 31, 2015 Reserve balance is estimated at \$20,000 and an alternate reserve will have to be accessed and repaid over time.

Option 3: Freeze Rates

A second option was presented by the condominium representatives at the December 8, 2015 Council meeting. Rather than rebate the front-load service multi-family customers, it was proposed that their rate be frozen at the 2015 rate for a period of 2.5 years. Based on current service levels, the impact would be approximately \$.27/mth for single family customers rising to an estimated \$.95/mth in 2018 based on estimated rates for a new waste management program. However, the challenges in freezing rates are:

1. It is difficult to measure the impact of freezing rates to the front-load multi-family customers and the corresponding impact on single family customers given that the residential waste management contract will be re-tendered in 2016 based on a service level that has not yet been determined.
2. Is the rate frozen for only those who were in the multi-family units July 1, 2012 to December 31, 2014? The tracking of this would be a challenge, however not to do so would mean many would receive special treatment who did not pay the previous rate;
3. The perceived inequities that providing a freeze will create. As the cost of the freeze would be collected from the single family customer group, concerns from that customer group may arise as they are now actually being surcharged to fund the condominium group;
4. The precedent this would set is based on a difference of opinion, as opposed to an actual error.
5. Approximately 90 new multi-family units were built in 2015 that would not qualify for a rate freeze thus creating a need to develop a special rate class in the billing system.

Alternatives:

1. That Council support the solid waste rates previously approved in the 2012-2014 Fees and Charges Bylaw.
2. That Council approve a rebate for the multi-family customers serviced by front-load collection during the period July 1, 2012 to December 31, 2014:
 - a) that the rebate be drawn from reserves; and
 - b) that the 2016 Fees and Charges Bylaw be amended to reflect an increase in single family curbside collection rates based on a two-year payback to the reserve.
3. That Council freeze the waste collection rate for a period of 2.5 years for those multi-family customers serviced by front-load collection during the period July 1, 2012 to December 31, 2014, and that the 2016 Fees and Charges Bylaw be amended to reflect an increase in single family curbside collection rates to address the loss of revenue as a result of the rate freeze.

Recommendation:

That Council support the solid waste rates previously approved in the 2012-2014 Fees and Charges Bylaw.

Attachments:

Appendix A - List of multi-family customers receiving front-load waste collection between July 1, 2012 and December 31, 2014.

File No.:

Prepared by: Ian Gray
Director
Infrastructure Management

Date: December 18, 2015

Approved by: Kelly Kloss
City Manager

Date: January 6, 2016

Submitted to: City Council

Date: January 12, 2016