

## STAFF REPORT

**TO:** Chair and Members Corporate Services Committee  
**FROM:** Engineering Manager, Peter Thomson  
**REFERENCE:** R376  
**DATE:** 8 May 2006  
**SUBJECT:** **REFUSE BUDGET 2006/2007**

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### PURPOSE

The purpose of this report is to review the proposed 2006/2007 Refuse Budget (as set out in the Draft LTCCP) income and expenditure, in view of year to date analysis and revised projections for next year.

### BACKGROUND

A report was recently presented the Engineering Services Committee meeting on 27 April 2006 outlining the year to date (31 Mar 2006) status of the refuse account for income and expenditure.

Staff have now completed an up to date review of the proposed 2006/2007 refuse budgets using more accurate projections than were available at mid-year.

A comparison of the Draft LTCCP Refuse Budget 2006/2007 with a current revised 2006/2007 refuse Budget is shown in Table 1 attached. This shows an overall income shortfall of \$430,700.

### INCOME

**Refuse bag sales income** - has been reduced to account for distribution and manufacturing indirect costs.

**Resource Recovery Centres income** - Richmond, Mariri, Takaka, Collingwood RRC total income has been reduced. Previous work was based on the carted total waste stream to Eves Valley landfill, and assumed a density of 3.1 m<sup>3</sup>/tonne at the RRC gate, with an accuracy of 0.9 for measurement. However gate receipts indicate that the proportion of compacted waste received has a higher density and therefore generates less income. Audits have also shown under-estimating of loose waste at RRCs. Further audits of compacted waste should give a more accurate measure of compacted waste density.

**Special waste income** - Previous estimates were based on an assumption of 13% of Eves Valley waste being special waste. This is likely to be based on abnormally high historical volumes in previous years (due to Mapua Fruitgrowers site and Fonterra Takaka fire). The revised budget assumes no abnormal income for special waste fees.

## OPERATING COSTS

**Domestic kerbside refuse & recycling collections** – Cost increases are due to:

- Increase in contract costs due to increase in households serviced (original contract underestimated total number of households within the rating area)
- Fuel driven CPI adjustments (+6%) previously not fully accounted for

**Resource Recovery Parks (RRC's) and Landfills (Eves Valley & Murchison)** – Cost increases are due to:

- Increases in sewer charges due to Trade Waste By-law
- Increased consent monitoring costs
- Fuel driven CPI adjustments (+6%) previously not fully accounted for

**Closed Landfills** – Cost decrease is due to:

- Reconciliation of capital and maintenance items

**Waste Minimisation initiatives** - Cost reductions through:

- No in-house recycling cost
- Reduced costs of waste exchange (Trash trader website)

## DISCUSSION

The overall funding impact of the review is a funding shortfall of \$430,000 resulting from a 5% increase in operating costs and an 11% decrease in estimated income.

Options to address this shortfall are listed below:

**Bag Sale Price** – A modest 10% increase in the bag sale price from \$1.10 to \$1.20 (incl GST) will increase income by \$20,000 and should not affect the competitiveness of the bag service.

**Mixed Refuse Charge** – Currently set and proposed to maintain at \$28/m<sup>3</sup> (incl GST). Attempts to increase income (through weight charges or increased m<sup>3</sup> charges) may send compacted waste to York Valley landfill.

**Refuse Recycling Target Rate** – Proposed rate of \$72 (incl GST) per rating unit (property) does not recover the full revised cost of the service. A target rate of \$90 (incl GST) per rating unit will cover all direct and indirect costs associated with this extensive kerbside service, which is available to almost 16,500 properties.

**Eves Valley Special Waste** – The Draft LTCCP already proposes to increase the special waste charge from \$75 to \$90 per tonne.

**General Rate** – The Draft LTCCP proposes \$637,723 funding from General Rate to the Refuse account. If the bag price is raised to \$1.20 and the Target Rate to \$90, then another \$147,000 is required from the General Rate to balance the Refuse account.

Note, Council has in the past discussed from time to time the possibility of exiting from the provision of kerbside collection services. If this option was followed Council would still

## **LATE ITEM**

have about \$2,250,000 in operating costs for RRC's, landfills etc , and income would be reduced by the full sum of the target rate. In other words the General Rate funding would still need to increase by over \$200,000 if Council pursued this option.

### **RECOMMENDATION**

**THAT** Council receive the report and consider it as a staff submission to the Draft LTCCP with recommendations to revise the 2006/2007 Refuse budgets, increase the refuse bag sale price to \$1.20, increase the Refuse Recycling Target Rate to \$90.00 per rating unit effective from 1 July 2006, and increase the General Rate to balance the Refuse Account.

Peter Thomson  
**Engineering Manager**

TABLE 1 - UPDATED

**Shortened summary of operations**

	<b>2006/07 Budget</b>	<b>2006/07 Revised est.</b>	<b>Funding shortfall</b>
<b>Operating Costs</b>			
Kerbside collection (bag & recyclables)	1,160,512	1,194,012	
Waste minimisation initiatives	302,677	268,977	
Landfills (Closed & Operational)	849,018	886,018	
Resource Recovery Centres	742,450	839,250	
Loan Interest	123,242	123,242	
Depreciation	126,586	126,586	
	<b><u>3,304,485</u></b>	<b><u>3,438,085</u></b>	<b>133,600</b>
<b>Income</b>			
Bag sales income	-220,978	-204,000	
Resource Recovery Centre (RRC) Income*	-1,140,608	-922,000	
Special Waste Income	-193,514	-132,000	
<b>Total Fees &amp; Recoveries Income</b>	<b><u>-1,555,100</u></b>	<b><u>-1,258,000</u></b>	
Refuse/Recycling Targeted Rate Income	-1,055,616	-1,055,616	
<b>Total Income</b>	<b><u>-2,610,716</u></b>	<b><u>-2,313,616</u></b>	<b>297,100</b>
<b>Net Cost of Service (Surplus)</b>	<b>693,769</b>	<b>1,124,469</b>	<b><u>430,700</u></b>
<b>Total funds required</b>			
Net Cost of Service (Surplus)	693,769	1,124,469	
Capital	642,280	642,280	
Transfer to Reserves	12,531	12,531	
Loan Principal	182,415	182,415	
	<b><u>1,530,995</u></b>	<b><u>1,961,695</u></b>	
<b>Source of funds</b>			
Restricted Reserves Applied	0	0	
Loans Raised	587,240	587,240	
General Rates	637,723	637,723	
Sundry Income	179,446	179,446	
	<b><u>1,404,409</u></b>	<b><u>1,404,409</u></b>	
<b>Non Funded Depreciation</b>			
Depreciation to be funded at income statement level	126,586	126,586	
	<b><u>1,530,995</u></b>	<b><u>1,530,995</u></b>	

\* includes Murchison Landfill

P:\Corporate\Annual Plan-LTCCP 2006-2016\Engineering\[Copy of Refuse Budget reviewed 08 May 2006.xls]Cost Summary