

THE CORPORATION OF THE CITY OF WINDSOR
Office of the City Treasurer - Finance

**MISSION STATEMENT:**

"Our City is built on relationships – between citizens and their government, businesses and public institutions, city and region – all interconnected, mutually supportive, and focused on the brightest future we can create together."

LiveLink REPORT #: 18073	Report Date: November 16, 2015
Author's Name: Bobbi Reive	Date to Council: December 21, 2015
Author's Phone: 519 253-2300 ext. 2733	Classification #:
Author's E-mail: breive@citywindsor.ca	

To: Mayor and Members of City Council

Subject: 2016 Essex-Windsor Solid Waste Authority Operational Plan and Budget

1. RECOMMENDATION: City Wide: x Ward(s):

To Council FOR DIRECTION.

EXECUTIVE SUMMARY:

N/A

2. BACKGROUND:

In accordance with the EWSWA Agreement, both City & County Councils need to approve the EWSWA budget once it has been approved by the Authority Board.

EWSWA staff have provided a 2016 Budget Administrative report (Appendix A) that summarizes the impact to the City of Windsor of the EWSWA Budget approved by the EWSWA Board of Directors at their meeting on November 3, 2015. Also included is the 2016 Operational Plan and Budget (Appendix B) that was provided to the EWSWA Board at their budget meeting.

The 2016 EWSWA Budget was developed in consultation with both City and County administration. The Authority's Technical Staff Committee met on October 13 and 21, 2015 to discuss the draft 2016 budget. The Committee is comprised of finance and operations staff from the City of Windsor, the County of Essex and EWSWA. The Committee reviewed the draft budget document line by line with additional insights provided by EWSWA staff. While City staff agrees that EWSWA costs, based on current projections, will continue to increase, they were unable to support the recommended \$290,010 or 5.2% increase to the City of Windsor due to our understanding of Council's previous direction to maintain the current level of taxation levy.

3. DISCUSSION:

Appendix A & B detail the 2016 EWSWA Budget Administrative report and the the 2016 EWSWA Operational Plan and Budget respectively . For 2016, it is being proposed that the total amount levied for landfill tipping fees to Windsor and the seven County of Essex municipalities will total \$11,013,400. This figure represents an increase of \$588,860 or 5.6%, from the 2015 amount of \$10,424,540.

Under the proposed EWSWA budget, the City of Windsor's assessment for 2016 refuse costs will increase from \$5,605,365 to \$5,895,375. This incorporates a reduction in expected tonnage to be delivered from the City to the landfill of 50,500 tonnes in 2015 to 50,000 tonnes in 2016 and a proposed increase to the tipping fees from \$32.44/tonne to \$36.44/tonne. In addition to an increase in tipping fees, fixed costs borne by the Authority (which are not included in the tipping fee) have increased compared to 2015, largely due to an increase in the Regional Landfill Debenture obligation for 2016.

Per tonne fees on yard waste remain unchanged, however, due to a projected decrease in tonnage, the City will see a slight decrease in fees of \$7,020, from \$295,620 to \$288,600.

Finally, the budget for the City's share of the Landfill No. 3 perpetual care cost was increased from \$592,763 in 2015 to \$600,634 in 2016, an increase of \$7,871.

In total, for the City of Windsor, this equates to a total increase of \$290,861 over 2015. This increase does not achieve previous direction to EWSWA outlined in Appendix C, to maintain a 0% increase over 2015 funding as outlined in Appendix C. The reasons for the requested increase are detailed in EWSWA's correspondence, which is attached.

Due to the timing of the City budget process, the net impacts of these items were not incorporated into the Operating budget for Environmental Services as City Council has not yet approved the 2016 EWSWA Budget. Operating Budget Issue 2016-0044 identifies the matter, but the budget was kept consistent with 2015 Budget figures.

4. RISK ANALYSIS:

Failing future action by the Authority or a change in non-municipal revenues, the risk of the Authority experiencing financial stress is almost certain to occur and be of high risk.

The Authority faces continuing challenges in maintaining a consistent non-municipal revenue stream. This would include the sale of blue/red box materials along with tipping fees derived from businesses.

Recycling material sales involve fluctuating commodity prices and are subject to supply and demand in the market place for items such as old newspapers, aluminum cans and cardboard. Revenues in this sector are extremely difficult to predict given the volatility of the market based on several external factors.

Revenue from tipping fees assessed to businesses has been in decline in recent years as local waste continues to leave the region due to lower landfill tipping fees in Michigan and at several privately owned landfills in Ontario.

With respect to the Authority's 10-year forecast (2016-2025), City Council should be aware that based on current tipping fee levels, the Authority has had to balance its budget by way of transfers from its Rate Stabilization Reserve. Therefore, failing unexpected substantial increases in non-municipal revenues, municipal contributions are projected to continue to rise sharply in future years.

5. FINANCIAL MATTERS:

In July of 2015, City of Windsor Administration asked that EWSWA Management deliver a 2016 budget request to the City of an equal or lesser amount to 2015.

The following table illustrates that this mandate was not met, as the total amount assessed to the City is projected to increase by \$290,861.

Table A

	2016 EWSWA Levy to City of Windsor	2015 EWSWA Levy to City of Windsor	Increase/ (Decrease)
Refuse	\$ 5,895,375.00	\$ 5,605,365.00	\$ 290,010.00
Yard Waste	\$ 288,600.00	\$ 295,620.00	\$ (7,020.00)
Landfill Perp. Care	\$ 600,634.00	\$ 592,763.00	\$ 7,871.00
Total:	\$ 6,784,609.00	\$ 6,493,748.00	\$ 290,861.00

The following table illustrates the expected variances between the City's Operating Budget and the City's portion of the EWSWA Operating Budget.

Table B

	2016 City of Windsor Budget	2016 EWSWA Levy to City of Windsor	Variance Surplus/(Deficit)
Refuse	\$ 5,600,907.00	\$ 5,895,375.00	\$ (294,468.00)
Yard Waste	\$ 266,000.00	\$ 288,600.00	\$ (22,600.00)
Landfill Perp. Care*	\$ 707,347.00	\$ 600,634.00	\$ 106,713.00
Landfill Perp. Care Surplus Transfer*			\$ (106,713.00)
Total:	\$ 6,574,254.00	\$ 6,891,322.00	\$ (317,068.00)

*As per previous Council approval, part or all of any surplus that remains at year end may be transferred to the Landfill #3 - Perpetual Care Reserve Account. Likewise, any deficit that remains at year end may be eliminated through transfers from the Landfill #3 - Perpetual Care Reserve Account. The set up of the reserve account was meant to maintain a consistent budget, while costs fluctuated as a result of the new clay capping at Landfill #3. The current balance in Reserve Account 1790 - Landfill #3 - Perpetual Care is a deficit of (\$18,171).

If the EWSWA Budget is approved as presented there will be a budget impact of \$317,068 for which Council will need to identify a funding source. Council may decide to fund this from the city's 2016 contingency account, fund it by reducing other costs, or finally by increasing the tax levy.

Should Council not approve the proposed EWSWA budget, the EWSWA Agreement outlines the following process be followed:

- i) the dispute shall be referred to a joint committee of City and County administration which will report to an ad hoc committee of City and County Council members convened by the Mayor and the Warden;
- ii) the ad hoc committee will deliberate and report back to City and County Councils with recommendations for resolution;
- iii) If the ad hoc committee is not able to resolve the issues or if the Councils of the City and County are not able to agree on the issue, the dispute will then be referred for determination pursuant to the terms of the Arbitrations Act of Ontario.


It should be noted that the EWSWA Administrative Report provides both revenue increase and budget reduction options for consideration.

6. CONSULTATIONS:

Manager of Environmental Services
Manager of Performance Measurement & Financial Administration
Deputy Treasurer - Financial Planning
General Manager, EWSWA
Manager of Finance & Administration, EWSWA

7. CONCLUSION:

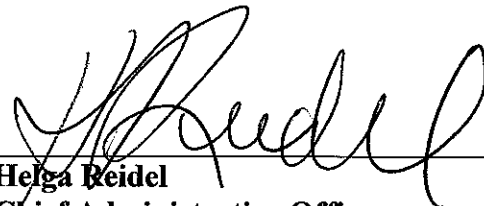
While City administration agrees, that based on the current funding model and assumptions made, annual municipal costs will continue to escalate in future years, we are unable to support the EWSWA approved budget given our understanding of City Council's direction to maintain the same funding for the Authority as the prior year. This report is being brought to City Council for direction.



Bobbi Reive
Financial Planning Administrator-
Environmental Services (A)



Onorio Colucci
Chief Financial Officer/City Treasurer and
Corporate Leader Finance and Technology



Helga Reidel
Chief Administrative Officer

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APPENDICES: (enclosed)

Appendix A - 2016 EWSWA Budget Administrative Report

Appendix B - EWSWA 2016 Operational Plan and Budget

Appendix C - City of Windsor Administration Letter to EWSWA

DEPARTMENTS/OTHERS CONSULTED:

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NOTIFICATION :

Name	Address	Email Address	Telephone	FAX