

Establish Capital Project – City-owned Organics Processing Facility

ISSUE

This report seeks approval for the establishment of a capital project for the construction of a City-owned organics processing facility to process organic materials collected from the curbside organics and compost depot programs.

RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities, and Corporate Services recommend to City Council:

- 1) That a capital project be established in the amount of \$22,110,000 to be funded through borrowing, subject to a public hearing and intent to borrow report; and
- 2) That this capital project be exempted from the 10% downpayment provision required for capital projects funded through borrowing as stated in Council Policy C03-027.

BACKGROUND

At its April 24, 2024 meeting, City Council resolved:

That Administration pursue Option 3 – Build a City-owned Organics Processing Facility.

At its November 1, 2023 meeting, the Standing Policy Committee on Environment, Utilities, and Corporate Services received an information report from Administration titled “[Curbside Organics Processing Contract Update](#)” where City Council was notified that Green Prairie Environmental (GPE) was unable to fulfill their obligations of the curbside organics processing contract.

DISCUSSION/ANALYSIS

The City-owned organics facility will be constructed and operational in 2026, at which point operations of the existing West Compost Depot will wind down. The proposed location for the new facility is south of the landfill on City-owned land that has the proper zoning designations. The facility will be built to a 40,000-tonne capacity to accommodate current needs as well as estimated future capacity required.

In addition to processing materials collected through the curbside green cart program, the organics facility will offer residential services including drop off for yard waste, bulk sales of compost and mulch, and “Dig Your Own” compost, which will continue to be subsidized from the tax base for non-commercial customers. Commercial haulers will be able to drop off materials at the new facility and will be charged a weight-based rate.

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To build this facility, Administration estimates required capital funding will be \$22,110,000. The capital estimate was developed through analysis of existing depot operations, and consultations with other municipalities and industry experts. The capital estimate includes:

- A receiving hall with negative ventilation and air treatment;
- Concrete bunkers for static aerated pile/windrow processing;
- Mobile and stationary equipment for processing;
- A graded and environmentally protected site;
- A storm water management pond; and
- A scale and office (repurposed from the landfill).

Design work and engineering for this project will commence in 2024, and construction will begin in 2025. Debt repayments for the loan would be incorporated into the waste utility operating budget for the facility. The new facility will charge the curbside organics utility an assigned rate, based on the utility's estimated share of tonnage processes at the facility. The assigned rate will include both operating costs of the facility as well as principal and interest repayments. As the rate is based on proportionate tonnage, the utility will only be charged for its portion of costs. Remaining costs for processing residential and commercial tonnages will be funded through a combination of user fees (bulk sales of compost and mulch, and commercial hauler fees), existing property tax support, and potentially Multi-Material Stewardship Western (MMSW) funding.

Per City Council Policy C03-027 *Borrowing for Capital Projects* (Policy), a 10% downpayment is typically required for all unfunded capital projects requiring borrowing. The 10% downpayment is to be financed from the operating budget in the year that borrowing takes effect. As borrowing for this project is being requested outside the Multi-Year Business Plan and Budget process, the 2024 operating budgets are not sufficient to fund this downpayment; however, this project must be initiated in 2024 if operations are to begin in 2026. As such, Administration is requesting an exemption from this provision of the Policy. Exemptions have been provided in the past for projects with green loans or unique projects proceeding outside of the Multi-Year Business Plan and Budget process.

In addition, per Policy, City Council must be advised of capital projects where the loan amortization period is greater than 10 years. For this capital project, Administration is forecasting a loan amortization period of 20 years. The planned organics utility rate in 2025 averages to \$7.78 per cart per month. If a 20-year term is used, the projected 2026 average rate per cart per month increases by 7% to \$8.32. If a 10-year term is used, the projected 2026 average rate per cart per month increases by 17% to \$9.10. The longer term is recommended to minimize rate increases to the organics utility. Once the loan is paid off, the utility rate would be re-evaluated, and consideration given for a reduction if appropriate.

FINANCIAL IMPLICATIONS

If the recommendation is approved, a new capital project will be established with a budget of \$22,110,000 to be funded through borrowing.

Based on current interest rate estimates for a 20-year loan term, repayments of principal and interest are estimated to be \$1,761,500 per year. The actual interest rate and repayment amounts will be determined at the time of borrowing.

Of this amount, \$525,600 (30%) will be funded through non-utility funding which may include user fees, MMSW funding or existing property tax support. The remaining \$1,235,900 (70%) will be paid by the curbside organics utility as part of the processing fee. The debt repayment portion of processing is estimated to have an impact of \$1.34 per cart per month in 2026, which will be confirmed once the actual repayment amounts are known.

OTHER IMPLICATIONS

There is no privacy, legal, or social implications identified.

NEXT STEPS

If the recommendations are approved, an intent to borrow report will be taken to the May 29, 2024 City Council Public Hearing Meeting for approval.

Report Approval

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