



Ontario



ONTARIO CENTRE FOR MUNICIPAL BEST PRACTICES

**Best Practice Summary Report
SW – WD – 04 – 04**

**Solid Waste – Waste Diversion – Contracts Enabling Contractors to
Reduce Municipal Costs
September 2004**

Practice Identification: Solid Waste Diversion – Contracts enabling
Contractors to reduce municipal costs

Case Study Municipalities: Regional Municipality of Niagara and
City of Brockville

Key Word: Operations

Benefits Derived from the Implementation of the Practice

- Reduced cost
- Improved efficiency measures

Description of Practice in the Case Study Municipality

Regional Municipality of Niagara

The Region of Niagara contracts for the processing of the organic waste (food and yard waste) that it collects from households and commercial properties. The Region owns the processing facility and contracts for its operation, including the management of processing and the marketing of the materials. The contract allows the contractor, as the manager of the facility, to bring in and process additional materials through private arrangement. In return, the contractor offers the municipality a lower operating cost and contributes capital investment to maintain and expand the municipality's composting facility. The contractor keeps all revenue generated from the sale of the finished product.

The contractor must comply with the operating conditions set out in Certificate of Approval (CA) for the composting facility. The Certificate of Approval is in the Region's name and the contract allows the Region to

terminate the contract if the contractor contravenes the CA or breaches any other component of the contract.

Niagara Regions staff feels that this type of public/private partnership contract has been essential to allow for the flexibility required to design and develop their system, while maintaining a lower than average operating cost.

The Region of Niagara has a population 424,900 and has single-tier responsibility for Waste Management. The waste collection service area is 89% urban and consists of approximately 87% single family and 13% multi-family dwellings. In 2002, the Region collected 177,101 tonnes of residential solid waste, of which 75,108 tonnes were diverted from landfill through blue box and organic collection programs. This resulted in a 42% diversion rate.

City of Brockville

The City of Brockville has developed a comprehensive contract that includes the collection, processing, marketing, transfer and disposal of all solid waste, including garbage, yard waste and recyclable materials. The contract is unique in that the term is for a 10 year period, it sets a flat fee for transfer and disposal, and as part of the agreement the contractor is allowed to use the transfer station to handle commercial waste not included in the City's contract. This gives the contractor the ability to reduce transfer station unit costs and increase revenues from disposal.

The City of Brockville has a population of 19,970. The waste collection service area is 100% urban and consists of approximately 70% single family units and 30% multi-family units although the City only services 1/3 of the multi-unit buildings. In 2002, the City diverted approximately 36.3% of its waste from landfill.

Evaluation of the Practice

Efficiency

Based on the 2002 MPMP results, the Region of Niagara has a lower than average operating cost per tonne for waste diversion programs in comparison to other municipalities in the same population class (over 100,000). The City of Brockville demonstrates a lower than average operating cost compared to the majority of municipalities with a population between 20,000 and 99,999.

Developing long-term contracts that allow the contractor to maximize use of facilities by incorporating commercial sector contracts has resulted in lower than average operating costs for both Brockville and Niagara. Maximizing

the efficiency of revenue generation allows contractors to maximize the use of processing and/or disposal operations that already exist and thereby pass along lower per unit costs to the municipality. The cost of Brockville's new contract for the collection, processing, transport and disposal of recycling, organics and garbage is 12% less than the previous contract.

Effectiveness

Long term contracts that allow the contractor to incorporate private contracts in conjunction with municipal services can increase the efficiency of facilities and operations by allowing a greater economy of scale. Contractors for both Niagara and Brockville have been able to maximize the effective use of operational facilities and equipment by allowing contractors to manage private sector materials within the same facilities that they use for managing public sector material.

Legislative Initiatives

The creation of the Waste Diversion Organization will compensate municipalities for up to 45% of the cost to operate their diversion programs, based on effective and efficient programs compared to other municipalities. Maximizing the tonnage of materials managed through competitive arrangements will help create effective and efficient operations to assist municipalities attain the WDO objective.

Replication of the Practice

This practice is applicable for municipalities that contract waste management services, in an environment where contractors have access to a competitive commercial market. Municipalities will need to evaluate service contracts on a case-by-case basis to ensure that flexibility exists for the contractor to incorporate commercial contracts. Municipal services most suitable to include the management of commercial contracts are those that pertain to facilities and equipment for managing recyclable, organic and residue materials, and where capacity exists to justify the addition of materials through commercial contracts.

The municipal tender/RFP process should be designed to ensure that incorporation of commercial contracts does indeed provide best value to the municipality and does not interfere with the quality of the municipal service delivery.

Limiting factors that could preclude municipalities from implementing this practice would be a limited private sector market in the vicinity.

Examples of waste contract applications are presented in *Regional Waste Handling to Support a Zero Waste Goal: Final Report*, prepared by

Footprint Environmental Consultants for the Regional District of Kootenay Boundary in British Columbia. While the report examines a number of issues related to waste handling, chapter four focuses on the option of delivering residential waste and recycling collection services under one contract as opposed to using a mix of public and private service delivery. The chapter looks at 'one-contract' experiences in the Regional District of Nanaimo and in other jurisdictions across North America. This report is available online at http://www.footprintbc.com/html/documents/RDKBfinalreport_000.pdf.

The topic of privatization and competition among waste service providers is explored in the article "How privatization helped raise the bar in the solid waste field" in the Feb 1, 1998 issue of *American City & County*. The article discusses why municipalities are increasingly contracting waste services out, the benefits and risks of contracting, and other considerations. The article can be viewed online by visiting http://americancityandcounty.com/issue_19980201/.

The World Bank provides on its website a solid waste management privatization toolkit that was prepared on behalf of the Inter-donor Collaborative Working Group on Municipal Solid Waste Management in Middle and Low Income Countries. The toolkit is broken down into five separate volumes and includes topics such as:

- The advantages, risks and options of increasing private sector participation (PSP) in waste management;
- The rationale for PSP from the local government perspective;
- Key factors for successful PSP in the solid waste sector;
- Various tools that can be used to guide a local government from making a decision on PSP through to its implementation;
- A list of terms and definitions commonly used in solid waste management and in PSP; and,
- Sample contracts, service agreements and other documents.

More information on the toolkit can be obtained on the Internet at <http://rru.worldbank.org/Toolkits/SolidWasteManagement/>.

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