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Item No. 14.1.5
Halifax Regional Council
January 15, 2019

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY:

Cathi Mullally, A/Chief Administrative Officer

DATE: November 13, 2018

SUBJECT: Recycling Agreement with the Municipality of Chester

ORIGIN

The Municipality of Chester (Chester) has requested that HRM enter into a new intermunicipal service agreement (similar to the existing agreement) for the processing of recyclable materials collected within Chester beginning April 1, 2019.

LEGISLATIVE AUTHORITY

The Halifax Regional Municipality Charter, Part XIII Solid Waste Management, Section 336(2) states “The Municipality may contract with other municipalities or persons for the use of any component of its solid-waste management program”.

Administrative Order Number 16 Respecting Fees for the use of Solid Waste Management Facilities, Section 1B states that “Council may agree, by service agreement, to accept waste from another municipality for processing at the materials recovery facility, and the fees provided for in the agreement may exceed the fees set out in clause 1A(e)”.

Administrative Order Number 58 Respecting the Delegation of Certain Authorities, Section 16(1) provides that “revenue agreements” exceeding \$500,000 are required to be approved by Halifax Regional Council and signed by the Mayor and Clerk.

RECOMMENDATION

It is recommended that Halifax Regional Council authorize the Mayor and Clerk’s Office to execute a contract with the Municipality of Chester for the receipt and processing of Chester’s recyclable materials, based upon the terms and conditions table and budget implications as outlined in this report.

BACKGROUND

The Materials Recovery Facility (MRF) located at 20 Horseshoe Lake Drive, Halifax, is owned by HRM and currently operated under a contract with Miller Waste. Since 2014 HRM has accepted and processed Chester’s blue bag materials under a Council approved intermunicipal agreement. The Municipality of Chester has requested an extension to the intermunicipal agreement whereby HRM will process approximately 1,000 to 1,200 tonnes per annum of recyclables generated in Chester. The existing agreement expires on March 31, 2019. The existing agreement continues to provide revenue for HRM and is shown in the attachment below for reference.

Chester’s recycling program is a 2-stream blue and clear bag system, similar to HRM, where fibre and recyclable containers make up the separate streams.

DISCUSSION

The current operating agreement with Miller Waste for the operation of the HRM MRF has a term expiry date of March 31, 2019. HRM has issued a new RFP for the operation of the MRF beginning April 1, 2019. Under the new MRF RFP there will be a per tonne operating fee structure and revenue sharing similar to the existing contract.

Under the current operating contract with Miller Waste and the new MRF operating contract, HRM has the authority to require the facility operator to accept and process materials from outside HRM at the Municipality’s sole discretion, so long as such materials do not exceed the MRF’s processing capacity. The MRF initially had a processing capacity of 28,000 tonnes per annum, however with the addition of the new capacity expansion building in fiscal 2017/2018, the capacity has increased to 36,000 tonnes. With the continuation of up to 1,200 tonnes from Chester and any annual growth in HRM tonnage, the total volume received at the MRF is not projected to exceed the contracted capacity. The acceptance of these materials poses no significant issues for the current MRF operations. The tonnage received from the existing agreement with Chester for the period of fiscal 2014/15 to present, did not exceed 1,200 tonnes per year as shown below in Table 1.

Table 1 – Tonnage Amounts Received from Chester

Fiscal Year	Quarter	Tonnage	Annual Tonnages
2018/19	Q2	263.76	507.57
	Q1	243.81	
2017/18	Q4	202.69	951.2
	Q3	239.89	
	Q2	262.79	
	Q1	245.83	
2016/17	Q4	218.4	1042.41
	Q3	263.65	
	Q2	289.41	
	Q1	270.95	
2015/16	Q4	233.17	1157.36
	Q3	281.86	
	Q2	317.45	
	Q1	324.88	
2014/15	Q4	197.41	1118.14
	Q3	311.31	
	Q2	322.81	
	Q1	286.61	

As stated above, pursuant to section 336(2) of the HRM Charter; HRM has the authority to contract with other municipalities or persons for the use of any component of its solid-waste management program. While HRM by-laws do put limitations on the export of certain waste resource materials outside HRM, the by-laws do not affect HRM's ability to import waste resource materials generated outside of HRM. There are no regulations, policies or issues preventing HRM from entering into another agreement with Chester for the processing of recyclables.

In addition, the processing of materials from outside HRM is identified, similar to the existing agreement with Chester, as a source of additional revenue to support HRM's solid waste program. The terms are that Chester will collect, consolidate and deliver its recyclable materials to HRM's MRF at its own expense, and will pay HRM for processing of these recyclable materials based on HRM's net cost per tonne plus a 15% margin / administrative fee. Chester will also pay the ICI tip fee of \$30 per tonne that Council approved to recover some of the cost of the addition of the new capacity expansion building added at the MRF in fiscal 2017/2018. Chester pays the ICI tip fee of \$30 per tonne based on a monthly statement as administered by HRM Finance for all on account customers.

The recommended net cost calculation would be administered on a quarterly (every 3 month) basis for billing. The formula used to calculate Chester's invoice would be:

HRM's Net Cost (HRM's cost over 3 months less HRM's revenue over 3 months) divided by total tonnes processed = Net Cost Per Tonne + 15% margin.

A summary of the proposed agreement terms and conditions is shown in Table 2 below:

Table 2 – Terms and Conditions

Parties	Halifax Regional Municipality & Municipality of Chester
Service Delivery	Recyclable Materials Processing
Facility	HRM Materials Recovery Facility (MRF) – 20 Horseshoe Lake Drive, Bayer's Lake Industrial Park
Material Types	Blue Bag Recyclables & Fibre – 2 separate streams
Tonnages	Approximately 1,000 to 1,200 tonnes/annum
Delivery and Load Density	Delivery via (2) 40 cubic yard roll-off containers hauled in tandem which shall not exceed 6.5 tonnes per delivery, so as not to compact materials that would impede processing procedures. Blue bag recyclables and fibre recyclables shall be delivered in separate roll-off containers. If Chester uses larger roll-off Containers, the maximum load weight per delivery as noted may be increased by the agreement of both parties.
Material Delivery Accommodations	Permitted 3 tandem loads (of two roll-off containers each) of recyclable materials per week. Delivery is to be scheduled between the hours of 9:00 am and 10:00 am or 1:00 pm and 2:00 pm Mondays to Fridays. These time periods may be modified from time-to-time upon the consent of both Chester and HRM so long as they occur within the MRF operating hours of 7:30 am to 6:00 pm. Where the delivery may cause the facility to operate beyond 6:00pm to accommodate unloading, additional costs may be incurred of approximately \$100 for each additional half-hour accommodation.
Processing Rate	To be based on HRM's actual net cost/tonne and to be calculated every quarter (3 months) based on cost for tonnage delivered and HRM material revenue yields, plus a 15% margin, plus the \$30/Tonne ICI Tip Fee.
Weights and Measures	All calculations of weight shall be based on HRM's scales at the MRF.
Term	Effective as of the date of execution and terminated March 31, 2024. Either party may terminate at any time by providing at least sixty (60) days' written notice to the other party.
Conditions	These terms are subject to approval of HRM and Chester. Both parties agree to work together to resolve any issues to accommodate delivery and processing.

In late August 2018, Annapolis County through Chester requested that HRM process their recycling material on a short-term emergency basis. Annapolis County materials are delivered to Chester and then transported to HRM. The Agreement permits the acceptance of additional material from Chester and under the exceptional circumstances of Annapolis County not having an outlet to have their materials processed staff agreed. With the Annapolis County's recycling material containing Styrofoam and the unknown quality of the material they were provided a cost of \$115/tonne to process plus the \$30 tip fee. Staff will seek to have a long term formal agreement established to continue to receive this material post March 2019.

FINANCIAL IMPLICATIONS

The existing operating agreement with Miller Waste provided the ability to increase the annual processing capacity of the MRF from 28,000 tonnes to 36,000 tonnes. In March 2016, the capacity at the MRF reached 28,000 tonnes, therefore requiring upgrades to the facility. As part of this expansion, a storage building was built to provide the needed infrastructure to expand capacity to 36,000 tonnes per year in fiscal 2017/18. The storage building allowed for bales of material to be stored so that it did not impede any unloading and processing of materials in the MRF. To recover some of the operating and capital costs associated with the capacity expansion of the MRF, staff recommended the implementation of a \$30 per tonne tipping fee for the Halifax IC&I sector, and a \$30 increase to the rate charged to other municipalities that use the MRF. In 2016, an amending agreement was issued and accepted by the Municipality of Chester to increase the tipping fees by \$30/tonne, which staff also recommends for the renewed agreement. This cost recovery revenue from Chester contributes approximately \$31,500 per year to HRM.

There will be a margin / administrative fee of 15% yield for HRM as noted above and application of the current formula for processing services. This revenue will be applied to R330-5508 Recovery External Parties (revenue). Based on the previous 2 and a half years' tonnages with an average of 1,000 tonnes per year, the revenue from the 15% margin / administrative fee will generate approximately \$5,000-\$7,000 per year.

RISK CONSIDERATION

There are no significant risks associated with the recommendations in this Report. The risks considered rate Low. No additional or new significant risks have emerged with the existing recycling agreement entered into with Chester beginning in 2014.

COMMUNITY ENGAGEMENT

This is a positive initiative which benefits HRM program costs through the generation of an additional revenue stream. No additional community engagement is recommended.

ENVIRONMENTAL IMPLICATIONS

The proposed agreement with the Municipality of Chester supports and continues diversion programming.

ALTERNATIVES

HRM could decline acceptance of recyclable materials from the Municipality of Chester, however, staff does not recommend this alternative.

ATTACHMENTS

None.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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