

TO: Dunedin City Council

FROM: Solid Waste Manager

MEETING DATE: 1 February 2010

SUBJECT: **KERBSIDE RECYCLING - CLARIFICATION OF FINANCIAL MODELLING IN THE PRE-DRAFT PLAN 2010/11**

SUMMARY

The kerbside recycling rate revenue was not clearly understood in the Council meeting of 21 January 2010.

This report sets out the amount in the current Draft Annual Plan 2010/11 and shows that the current amount is sufficient to cover the cost of providing the service given that tender prices have not been received yet.

The boundaries for service provision are also recommended to change to update the boundaries and include new developments not within the old boundaries.

IMPLICATIONS FOR:

- | | |
|----------------------------------------|---------------------------------------------------------------------------|
| (i) Policy: | No |
| (ii) Approved Annual Budget: | Yes - Increased rates requirement from existing contract level of service |
| (iii) LTCCP/ Funding Policy: | No |
| (iv) Activity Management Plans: | No |
| (v) Community Boards: | Yes - New service provision in community boards' boundaries |

RECOMMENDATIONS

1. That the Council notes this report "Kerbside Recycling - Clarification of financial modelling in the pre-draft plan 2010/11".
2. That the Council note the amount in the pre-draft plan 2010/11 kerbside rate revenue is sufficient to cover the cost of providing the new service.
3. That the Council endorse the changes proposed to the collection boundaries to include the existing properties paying for the service and the rural residential blocks bordering the collection routes as set out on the map attached to this report.

BACKGROUND

At the 21 January 2010 Council meeting there was some confusion as to how the kerbside recycling rate was derived. A report to clarify this was requested, which is addressed below.

DISCUSSION

The current provision in the 2010/11 draft plan for kerbside recycling is based on Option C on a seven year contract term, with the service starting in October 2010, at an estimated cost of \$58.00 to the ratepayer.

Prior to Christmas the Council decided that the service would not start until December 2010, so an extended period of the existing service would result in a reduction of the kerbside rate to \$53.00 to the ratepayer and this was reported in the last report of 20 January 2010.

The final cost will be determined by the tendering process around the Council's decision to introduce the two crate option F ii), and that the final kerbside rate may be different from the \$58.00 estimated, as the term of the contract has a large impact on the cost of service.

The contractor will also have the option of offering value added services which may cost individuals more, should they elect to use these services.

Table 1

	Approved 09/10	Draft 10/11	Draft 11/12	Draft 12/13	Draft 13/14
Draft Annual Plan Budget (Option C)	\$1,440.7	\$2,388,000	\$3,223,000	\$3,370,000	\$3,485,000
Option Fii) 3yr term		\$2,730,271	\$4,015,714	\$4,156,264	\$4,301,733
- deficit/+surplus		-\$342,271	-\$792,714	-\$786,264	-\$816,733
Option Fii) 7yr term		\$2,067,886	\$2,690,942	\$2,785,125	\$2,882,605
- deficit/+surplus		\$320,114	\$532,057.78	\$584,874.80	\$602,395.42

The amount provided for in the Draft Annual Plan (which equates to a kerbside recycling rate not exceeding \$58 per property) will be sufficient to fund a contract term of six or seven years. There is a risk that a short three year term contract will result in a significant shortfall as shown in table 1 above.

Collection Area

The current area being collected from is shown on the map attached (Attachment 1) as the blue line. Properties being charged the rate are shown in light brown, the red area highlights the rural residential areas and the number of properties in the zone that are to be included in the new service. Some red areas have customers receiving the service as they are taking their containers to the collection route for emptying.

Where properties are in the rural zones and are receiving the service, they do so because the collection trucks drive past between residential zones and have been included in the service and rated accordingly.

In the 2010/11 Draft Annual Plan 46,642 households are proposed to be rated for the recycling rate of \$58.00 (GST included), which includes the extensions to the collection area.

The tender document maps will include these areas so the contractors can price accordingly.

It is also recommended that maps outlining the proposed new collection areas are included in the Draft Annual Plan for consultation. A separate letter to affected properties will also be sent to give those ratepayers the opportunity to submit on the proposal.

Properties not currently receiving the service should be charged for half the kerbside rate in 2010/11 and the full rate from the 2011/12 year onwards.

CONCLUSION

The current amount in the Draft Annual Plan for kerbside recycling is sufficient to cover the new contract costs for providing the service.

The collection area will be updated to include the rural residential properties for inclusion in the new service, and a letter sent to the properties in those areas currently not being charged the rate, explaining the charge for 2010/11 and the full cost in the following year 2011/12.

Prepared by:

Approved for submission by:

Ian Featherston
Solid Waste Manager

John Mackie
Manager, Water and Waste Services

Approved by: Tony Avery
General Manager City Environment

Date report prepared: 14 January 2010

Attachment

Attachment 1 - Kerbside recycling areas (proposed)



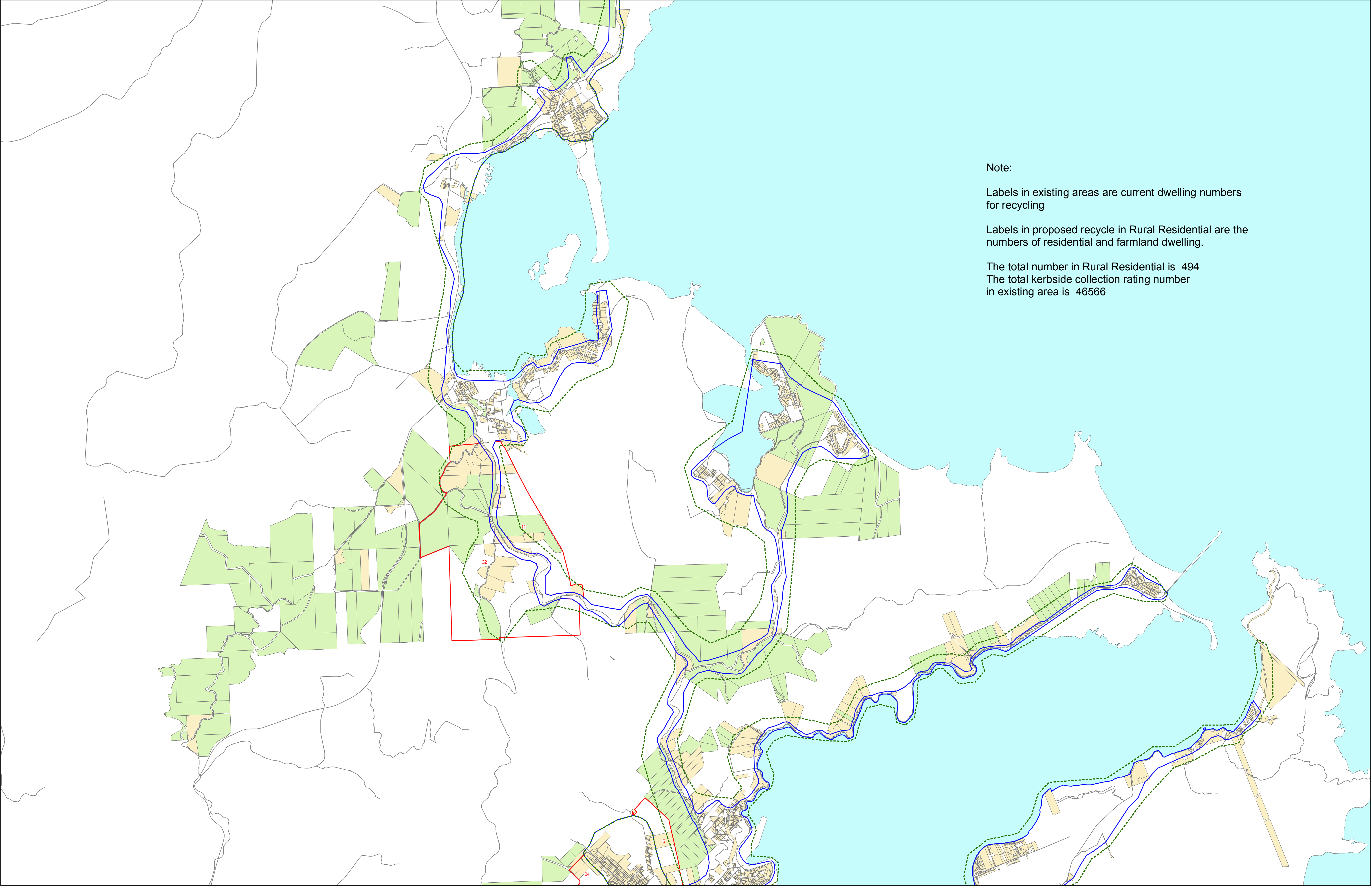
Note:

Labels in existing areas are current dwelling numbers for recycling

Labels in proposed recycle in Rural Residential are the numbers of residential and farmland dwelling.

The total number in Rural Residential is 494
The total kerbside collection rating number in existing area is 46566

- Legend**
- Proposed Recycled Area
 - Existing Recycled Area
 - Proposed Recycle In Rural Residential
 - Farmland_Kerbside_Property
 - Kerbside Recycle Property



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Labels in proposed recycle in Rural Residential are the numbers of residential and farmland dwelling.

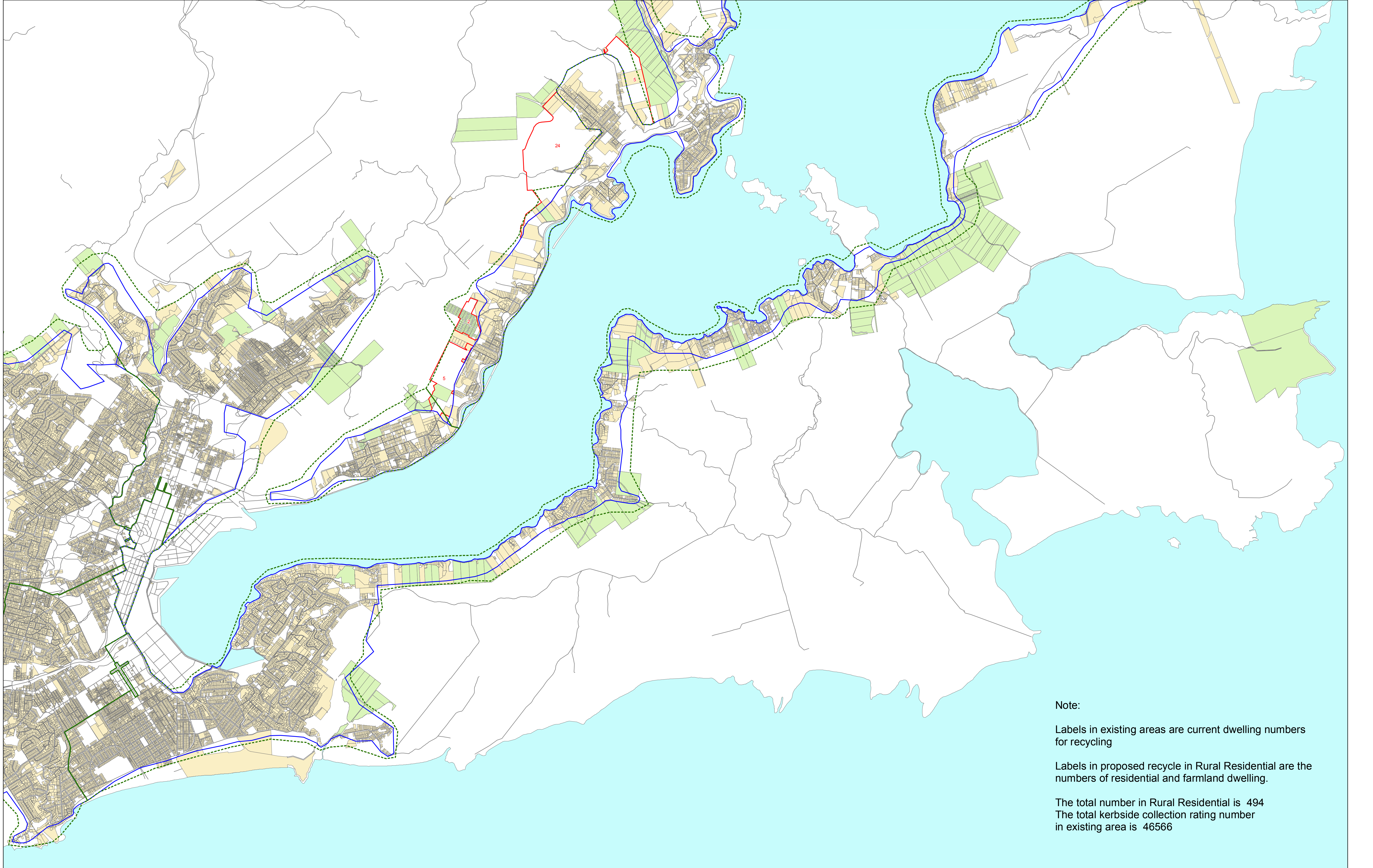
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Areas for Recyling

Legend

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