

Report to Council



Date: September 11, 2017
File: 1846-01
To: City Manager
From: Kevin Van Vliet, Utility Services Manager
Subject: Amendment to Solid Waste Management Bylaw No. 10106

Recommendation:

THAT Council receives, for information, the Report from the Utility Services Manager dated September 11, 2017, regarding amendments to the Solid Waste Management Regulation Bylaw No.10106;

AND THAT Bylaw No. 11485, Amendment No. 8 to the Solid Waste Management Regulation Bylaw, No. 10106, be forwarded for reading consideration.

Purpose:

To align fees for compost at each of the City's sales facilities and permit excess inventory to be sold at a reduced rate outside the Central Okanagan and the City of Vernon.

Background:

The City of Kelowna produces approximately 65,000 cubic yards per year of a Class A compost product marketed as Ogogrow. Since 2011 production of Ogogrow has exceeded sales, resulting in a significant inventory at the Glenmore Landfill. The City has approximately 50,000 cubic yards of Ogogrow in inventory.

In 2015 the City commissioned a marketing study by Ference Weicker & Company to provide recommendations on increasing compost sales with a goal of eventually eliminating our excess inventory. That report concluded that the City should not significantly decrease the price of Ogogrow within our market area as it is an excellent product and decreasing its price may actually diminish its value to our clients. "Price decreases should not be used as a means to achieve short term increase in sales volume."

During discussions with existing clients about increasing sales we have received feedback that the higher rate for Ogogrow purchased from the landfill over the Commonage site was a barrier and was seen by some as being inequitable. While there are technical reasons to charge more for Ogogrow at

the landfill (as the City paid to move the material there), retail sales do not typically differentiate price by location. Feedback was that sales of Ogogrow in Kelowna would increase if the inequity is removed.

The Ference Weicker Report recommended focusing our sales efforts on our wholesale customers, who purchase most of our product, and continuing to enhance the relationship between the City and our wholesaler customers. Transportation costs of compost is an inhibitor to expanding our markets geographically. It has been suggested that for our large volume wholesalers we may be able to expand our market area over time by further reducing the graduated price for large volume purchasers. Therefore, staff are suggesting that further price reduction points be put in the bylaw for purchasers of more than 5,000 cubic yards per year.

The report also recommended that the City be flexible to “operate at the speed of Business” and that *“Guidelines should be established under which the Manager would have the authority to enter into bulk sales agreements that do not affect the local market and to provide product samples to prospective buyers.”* The current Solid Waste Management Regulation Bylaw does not allow for sales price variances irrespective of our inventory or the location of buyers.

Over 90 percent of our compost sales are to customers in Kelowna, West Kelowna, Lake Country and the Central Okanagan Regional District. The City of Vernon is also a client. Significant sales outside of these municipalities are not likely to impact our local markets.

As an example of the value of flexibility in our Bylaw, an opportunity to move 5,000 cubic yards of Ogogrow to lands outside of our market area would save the City the cost of hauling the material from the compost site in Commonage to our storage facility at the Glenmore landfill (approximately \$4-5 per cubic yard), plus the cost of managing this material for the next few years until it is sold, currently estimated at approximately \$3 per cubic yard for a total of \$35,000 - \$40,000. This example assumes that the buyer pays only the cost of transportation. Furthermore, our storage facility at the landfill has exceeded capacity. New compost may need to be stored off of the asphalt pad which would reduce compost quality resulting in further sales challenges for this product in the future.

Internal Circulation:

Divisional Director, Financial Services
Biosolids Supervisor
Community Communications Manager

Financial/Budgetary Considerations:

Charging the same rate per yard at each of the City’s locations will create efficiency and consistency and is not anticipated to greatly affect the total sales revenue.

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements:

Legal/Statutory Authority:

Existing Policy:

Communications Comments:

Personnel Implications:

External Agency/Public Comments:

Alternate Recommendation:

Submitted by:

K Van Vliet, Utility Services Manager

Approved for inclusion:



J Creron, Deputy City Manager

cc:

Divisional Director, Financial Services
Biosolids Supervisor
Community Communications Manager