

## 2. CLEANFILL LICENSING BYLAW - PAYMENT TO SITE OPERATORS

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The purpose of this report is to seek approval for a reimbursement of costs package for cleanfill site operators for collecting a waste minimisation levy on behalf of the Council.

### BACKGROUND

On 20 November 2003 the Council resolved to make the Christchurch City Council Cleanfill Licensing Bylaw 2003, which will come into effect on 1 March 2004. The aim of the bylaw is to recover resources from the waste stream going to cleanfills, and to obtain revenue for waste minimisation initiatives from the disposal of certain materials. The gross revenue expected for a full financial year is estimated to be in the order of \$1 million. This report addresses the aspect of compensating cleanfill site operators for the work done on behalf of the Council in setting up processes for the levy, and ancillary costs incurred to implement the new bylaw.

### PAYMENT FOR CLEANFILL SITE OPERATORS

In order to obtain an objective view on what additional costs would be incurred by cleanfill site operators, an independent financial consultancy company (Staples Rodway) was commissioned to analyse the pre-introduction position as compared to what would be needed to effectively implement the Council's new bylaw.

The recommendations are twofold:

- (a) Firstly to reimburse operators to reflect the time and cost incurred in attaining readiness for the new system. A one-off amount of \$3,000 is recommended as an allowance for software changes, travel costs as well as any labour costs or training costs associated with those changes required by the new bylaw. For the nine operating sites this would amount to a one-off total cost of \$27,000.
- (b) The second component of the payment package relates to the ongoing costs of administering the receipt of the \$9 a cubic metre levy on construction and demolition materials on behalf of the Council. The cleanfill sites vary in size and nature of operation and accordingly have differing cost structures. Staples Rodway have therefore recommended a system of payment based on a percentage of the levies collected. Information on the additional potential costs that might be incurred through the bylaw was obtained by the consultants from working closely with operators via written communications, individual discussions and group meetings. Some operators have suggested a 10%+ payment level, however, Staples Rodway's independent investigations indicated operator costs, allowing for a small profit margin, was 8%. Accordingly this is their recommendation. The recommended 8% payment to the operators has an estimated annual value of \$80,000.

### BUDGET IMPLICATIONS OF LEVY

Revenue for 2003/04 (ie the remaining relevant part of the current financial year) is now estimated at \$340,000, which is down from \$680,000 due to the 1 March 2004 start instead of 1 November 2003. It is proposed that this revenue variation and additional cost is absorbed into the 2003/04 City Water and Waste budget on an unders and overs basis.

For the 2004/05 year it is proposed that no change is made to the draft (2004/05) budget until the five month (end of November 2004) financial position is known. At this stage an eight month (ie March to November 2004) startup revenue stream will provide accurate information to allow any necessary budget adjustments to be made.

### SUMMARY

Payment to cleanfill site operators for installing and operating a levy collection system on behalf of the council is recommended as set out in the report. No budget changes are necessary at this stage.

**Recommendation:** That the recommendations in the report for payment to cleanfill site operators for:

- (a) one-off set-up costs; and
- (b) ongoing administration costs,

be adopted.