

QLDC Council
7 November 2019

Report for Agenda Item | Rīpoata moto e Rāraki take: 4

Department: Property & Infrastructure

Title | Taitara Landfill Gas – Increase to gate fee and impact on other fees and charges

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

The purpose of this report is to agree that waste fees and charges will remain unchanged from 1 January 2020, when the additional costs associated with the landfill gas capture and destruction system come into effect.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

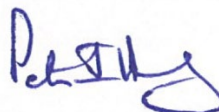
1. **Note** the contents of this report, and in particular financial impact of the landfill gas capture and destruction system to the gate fee;
2. **Accept** the recommendation that waste fees and charges for the 19/20 year are not adjusted from 1 January 2020 when the landfill gate fee increases, and that the financial impact for the 19/20 year will be offset by the already collected landfill gas levy;
3. **Note** that the landfill gas levy of \$6.17 remitted to QLDC will be removed from 1 January 2020;
4. **Agree** that waste fees and charges will be adjusted for the 20/21 year;
5. **Note** the Chief Executive will make a public comment about the landfill gas capture and destruction system, and the need to increase fees and charges to recover future costs.

Prepared by:



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16/10/2019

Reviewed and Authorised by:



Pete Hansby
General Manager,
Property and Infrastructure
24/10/2019

CONTEXT | HOROPAKI

- 1 Regulations in the National Environmental Standard for Air Quality 2004 require landfills with a total capacity of more than 1,000,000 tonnes, and containing more than 200,000 tonnes of waste to collect landfill gasses.
- 2 The Victoria Flats landfill operates under ORC consents. Over the last 18 months, QLDC and the landfill owner/operator, Scope Resources, have been working on designing a landfill gas system, pre-empting changes to our consents that would require us to comply with this regulation.
- 3 ORC have now undertaken a review of our Discharge to Air Consent. This was reissued on 12 August 2019, requiring the installation and commissioning of a landfill gas capture and destruction system. This system is required to be commissioned by 1 December 2020.
- 4 In January 2019, Council resolved to authorise Officers to enter into negotiations with Scope Resources Ltd to extend the existing landfill contract by five years and incorporate the landfill gas capture and destruction system into the existing contract. Under this option Scope Resources would fund the capital cost, while QLDC would pay this back over the 15-year term through an increased gate fee. The resolution also authorised the Chief Executive to negotiate the final terms of the contract variation. As this was a public excluded item, there was additional authorisation to the Mayor and Chief Executive to make a public comment about the report and resolution at an appropriate time.
- 5 In October 2019, Council resolved the Chief Executive to execute the Landfill Operation contract variation and Deed of Amendment to increase the landfill per tonnage rates to \$99.00 (excluding levies) for the remaining 14.5-year contract term.
- 6 This variation is in the process of being executed.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 7 Typically waste fees and charges are reviewed annually, with the last adjustment being made 1 July 2019.
- 8 From 1 January 2020, an additional \$26 per tonne is required to be paid on top of the existing gate fee for disposal of waste at the landfill. This includes all waste taken directly to landfill, or indirectly via the transfer stations.
- 9 The estimated financial impact on QLDC for the 6 months from 1 January 2020 to 30 June 2020 is \$559k. Of this \$381k could be recovered if the gate fees at the transfer stations are increased. The remaining \$175k is rates funded and unable to be recovered, with rates already having been struck for 19/20.
- 10 Scope Resources have been collecting a landfill gas levy on our behalf (currently set at \$6.17 per tonne). For the 18/19 year this totalled \$327k and is soon to be remitted to QLDC. A further amount of approximately \$163k will be collected in the first six months of 19/20. This income could be used to offset against the estimated \$559k deficit for this financial year.

- 11 From 1 January, to reduce the impact on users of the landfill, the landfill gas levy will no longer be collected.
- 12 This levy will be replaced by the additional \$26 landfill gas rate required to be paid to Scope Resources.
- 13 For 20/21 the estimated financial impact for 12 months is \$1.16m. Of this, \$793k will be recovered through adjusting the gate fees at the transfer stations for the 20/21 year, while the balance of \$365k would fall to a rates adjustment.
- 14 Option 1 No additional increase to fees and charges for 19/20 (other than the increase in landfill gate fee that will be applied by Scope Resources from 1 January)

Advantages:

- 15 No additional increase in current user charges for the community for this financial year

Disadvantages:

- 16 Costs of disposal to landfill not fully recovered
- 17 Additional funding is required to cover funding shortfall. However, this can be largely offset by the landfill gas levy collected by Scope Resources for remitting to QLDC
- 18 Option 2 Increase fees and charges for 19/20 commencing 1 January

Advantages:

- 19 Costs of disposal are partially recovered. \$175k of the expected cost is rates funded and unable to be recovered with rates already having been struck for 19/20
- 20 The landfill gas levy collected could be used to fund other waste initiatives, rather than being required to offset any shortfall

Disadvantages:

- 21 Increase in user charges for the community, 6 months after last increase
- 22 Using the landfill gas levy for other initiatives is contrary to why it was collected
- 23 This report recommends **Option 1** for addressing the matter because it has the least impact on the community this financial year, and the landfill gas levy can be used to largely offset any financial impact on Council.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 24 This matter is of low significance, as determined by reference to the [Council's Significance and Engagement Policy](#) because while the increase in the gate fee at the landfill will

require a review of fees and charges in 20/21, any financial impact for 19/20 can be offset by the landfill gas levy that is currently collected by Scope Resources for remitting back to QLDC.

- 25 Previously the costs, and associated variation, for installing a landfill gas capture and destruction system have been presented to Council in a public excluded forum. Resolution was made for the Chief Executive to make a public comment about the previous reports and resolutions at an appropriate time.
- 26 The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes District community, and/or visitors, and/or Council contractors.
- 27 Once the variation has been executed, the Chief Executive will make a public comment about the landfill gas capture and destruction system, and the need to increase fees and charges to recover future costs.

> MĀORI CONSULTATION | IWI RŪNANGA

- 28 The Council considers this matter does not require specific iwi consultation.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 29 This matter relates to the Financial risk category. It is associated with RISK00020 Unexpected Change in Costs within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.
- 30 The approval of the recommended option will support the Council by allowing us to implement additional controls for this risk. This shall be achieved by using the current landfill gas levy to offset the costs associated with the increase in the landfill gate fee commencing 1 January for this financial year. Future risks can be controlled through the annual review of fees and charges, with fees and charges being adjusted accordingly.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 31 Capital funding was placed in the LTP for the landfill capture and destruction system. This funding was based on very early estimates of what such a system may cost. Since then further work has been completed. Costs have been agreed and are higher than the original estimate. A different funding model has also been agreed, with Capital funding no longer being required.

In summary,

- Capital to be funded by Scope Resources and repaid by through an increase in the operational gate fee over the remaining 14.5-year term of the Landfill Operations contract
- Forecast capital cost of \$7,829,353 for the existing landfill footprint
- Further capital cost of \$6.9m to extend the system as the landfill footprint grows
- Annual operational costs of \$287k, and associated gate fee increase from \$73.00 to \$99.00 (excluding levies) per tonne

- Based on projected landfill tonnages over the remaining 14.5-year term of the contract, anticipated increase of operational costs from \$65.7m to \$89.2m (excluding annual cost fluctuations).

The impact for 19/20 is estimated to be \$559k. It is recommended that the landfill gas levy currently collected by Scope Resources be used to offset any shortfall in funding for this financial year. QLDC Capex budget of \$1.87m no longer required. From 1 January the landfill gas levy will no longer be collected for remitting back to QLDC.

For 20/21 the estimated financial impact for 12 months is \$1.16m. Of this \$793k will be recovered through adjusting the gate fees at the transfer stations for the 20/21 year, while the balance of \$365k would fall to a rates adjustment. Capex budget of \$0.22m no longer required.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

32 The following Council policies, strategies and bylaws were considered:

- Alignment with the *principle of Zero Carbon Communities* of the Vision Beyond 2050
- Alignment with the Waste Management and Minimisation Plan 2018
- Alignment with *Goal 2 Reducing the Harmful Effects of Waste* in the Waste Assessment 2018
- 10-Year Plan 2018-28

33 The recommended option is consistent with the principles set out in the named policy/policies.

34 This matter is included in the Ten Year Plan/Annual Plan

Capital funding was placed in the LTP for the landfill capture and destruction system. This funding was based on very early estimates of what such a system may cost. Since then further work has been completed. Costs have been agreed and are now known to be higher than the original estimate. A different funding model has also been agreed, with the Capital funding no longer being required.

The impact for 19/20 is estimated to be \$559k. It is recommended that the landfill gas levy collected by Scope Resources be used to offset any shortfall in funding for this financial year. QLDC Capex budget of \$1.87m no longer required. From 1 January the landfill gas levy will no longer be collected for remitting back to QLDC.

For 20/21 the estimated financial impact for 12 months is \$1.16m. Of this \$793k will be recovered through adjusting the gate fees at the transfer stations for the 20/21 year, while the balance of \$365k would fall to a rates adjustment. Capex budget of \$0.22m no longer required.

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

- 35 *Resource Management (National Environmental Standards for Air Quality) Regulations 2004*, Clauses 25-27 outline the regulations for control of greenhouse gas emissions at landfills.
- 36 *Discharge to Air Consent 97164.V2* requires the installation and commissioning of a landfill gas capture and destruction system prior to 1 December 2020, and progressive install thereafter as the landfill develops.
- 37 Section 17A of the *Local Government Act* provides a local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services and performance of regulatory functions.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

38 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by ensuring future user charges are fairly set and reflect the costs of waste collection and disposal, and offsetting any impact this financial year by using funding collected through the landfill gas levy;
- Can be implemented through funding under the Ten Year Plan and Annual Plan, with annual adjustments made to fees and charges for future years to cover the impact of the landfill gate fee increase. For 20/21 a balance of \$365k would fall to a rates increase;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.