

## ATTACHMENT 2 – FINANCIAL ASSUMPTIONS FOR HWS OPTIONS

The table below provides assumptions and context for the options costed.

### *Pricing Assumptions for Options Costed*

ASSUMPTION	ASSUMPTION BASED ON	OPTION (S) APPLICABLE TO	COMMENTS/CONTEXT
Cost for each HWS model option	<ul style="list-style-type: none"> <li>Costs are based on best estimates, quotes and current information available</li> <li>Costs may have some variation at the time of a HWS roll out.</li> </ul>	All	<ul style="list-style-type: none"> <li>Landfill fees may increase</li> <li>EPA landfill levies may increase</li> <li>Fuel prices may increase</li> <li>Cost of labour may increase</li> </ul>
Time period is for 6 years from July 2020 to June 2026	<ul style="list-style-type: none"> <li>This assumes that a HWS would commence in July 2020 to June 2026</li> <li>This assumes that the current collection contracts ending in June 2023 can be restructured to include the 3 year extension option</li> <li>If timing is different costings will need to be adjusted</li> </ul>	All	<ul style="list-style-type: none"> <li>This assumes a HWS will commence in July 2020 to 30th June 2026.</li> <li>This is to align with the current waste collection contract end date which includes a 3 year extension option</li> <li>The reason for this is that Four Seasons Waste are happy to restructure the collection contracts to align with any Council decision</li> </ul>
CPI not included in the calculations	The costings are straight line calculations for the purposes of making comparisons for each option	All	<ul style="list-style-type: none"> <li>CPI increases are part of contract conditions</li> </ul>
Each HWS model has different levels of logistics resources	Cost to supply number of vehicles and labour for each option	All	<ul style="list-style-type: none"> <li>Each option has variable logistics requirements and costs depending on the level of service over a 12 month period</li> </ul>
Costs are based on using second hand refurbished collection vehicles	Collection vehicles will be second hand and refurbished to ensure they meet appropriate standards	All	<ul style="list-style-type: none"> <li>The reason for this is that Four Seasons Waste are happy to restructure the collection contracts to align with any Council decision</li> <li>It would not be efficient to price in new vehicles for a short time period</li> <li>There is a potential that beyond 2026 Council would shift to electric collection vehicles</li> </ul>
Costs include the purchase of new bins or containers for glass only and FOGO collections	<ul style="list-style-type: none"> <li>Based on current prices it is estimated that the bin infrastructure will cost approximately \$3 million</li> <li>The amortised amount is \$540K per annum</li> <li>The cost has been amortised into the cost of the service over the 6 year period</li> <li>In other words the contractor will purchase the bins and Council will pay the amortised amount within the monthly contract payment</li> </ul>	All	<ul style="list-style-type: none"> <li>The intention is to purchase bins with maximum recycled material content which may mean a minor increase in price</li> </ul>
Garbage will be transported to the MRL Landfill	<ul style="list-style-type: none"> <li>The distance to the landfill site impacts on turnaround times and the level of resources required – Cost of transport</li> <li>Disposal costs are based on current gate fees and EPA levies (\$105.55 per tonne)</li> </ul>	All	<ul style="list-style-type: none"> <li>Yarra has an agreement with MRL Deer Park for garbage disposal until 2021</li> </ul>

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Glass will be transported to the Polytrade Glass Beneficiation Plant in the interim	<ul style="list-style-type: none"> <li>This is the current available option</li> <li>Other options may be available in the near future</li> <li>The current gate fee of █████ per tonne has been used for the purposes of calculation as alternative pricing is not currently available.</li> </ul>	All	<ul style="list-style-type: none"> <li>The processing fee is expected to decrease for a long term agreement, however an accurate amount is not yet confirmed</li> <li>Should Council decide to sort its own glass this would also alter the costing</li> </ul>
The recycling material (No glass) will be transported to APR in Laverton	<ul style="list-style-type: none"> <li>The current gate fee of █████ per tonne has been used for the purposes of calculation</li> <li>The distance to the disposal site impacts on turnaround times and the level of resources required – Cost of transport</li> </ul>	All	<ul style="list-style-type: none"> <li>APR has confirmed that they have the immediate capacity to process all of Yarra's kerbside recycling material (No glass)</li> <li>This is expected to decrease for a long term agreement, however an accurate amount is not yet confirmed</li> </ul>
FOGO material will be transported to Dandenong, either Veolia, Cleanaway or SYCR	<ul style="list-style-type: none"> <li>The distance to the disposal site impacts on turnaround times and the level of resources required – Cost of transport</li> <li>For the purposes of calculation the gate fees for FOGO have been offset against the gate fees for Landfill</li> <li>In other words FOGO material diverted from the garbage bin does not incur a landfill fee of \$105.555 per tonne</li> </ul>	All	<ul style="list-style-type: none"> <li>When gate fees are confirmed for long term arrangements more accurate calculations will be done</li> <li>The variance is expected to be minor</li> </ul>
Additional Community Engagement resources will be required	<ul style="list-style-type: none"> <li>Cost to deliver a targeted community education program in MUD's during the transition period</li> <li>Additional community engagement to assist residents</li> <li>Ongoing community education</li> <li>Additional Waste Min costs have been allowed - \$500K year 1, \$300K year 2 and \$100K for following years</li> <li>Assumes the current level of resource in the Waste Min Team remains as per status quo</li> </ul>	All	<ul style="list-style-type: none"> <li>It is critical that the correct level of resource is available during in a transition to a HWS</li> <li>Community engagement is a critical success factor for a HWS</li> <li>The additional resources will also need to cover for additional auditing, education delivery, setting up Council building, re arrangement of bin infrastructure at MUD sites</li> </ul>
Additional COMMS costs have been included for year 1 of a HWS	<ul style="list-style-type: none"> <li>Feedback from COMMS experience during the HWT</li> <li>2FTE additional for 12 months (3-6 months prior to roll out and 6 months post)</li> <li>\$150k for graphic design, community engagement, translations, collateral printing and distribution</li> </ul>	All	<ul style="list-style-type: none"> <li>The role of the COMMS area is critical to the success of a HWS</li> </ul>
Additional Access Yarra costs for year 1 of a HWS	Feedback from Customer Service experience during the HWT \$150K has been allowed for additional resources during a transition phase	All	
Potential <i>disposable nappy</i> collection service not included in the costings	<ul style="list-style-type: none"> <li>This would require approximately \$150K per annum additional budget</li> <li>This cost would need to be added to option A &amp; B should Council wish to proceed with this type of service</li> </ul>	A & B	<ul style="list-style-type: none"> <li>There is an opportunity for Council to provide a disposable nappy collection service if the issue of nappies becomes a major barrier.</li> </ul>

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Compostable bags for FOGO not costed in the options	<ul style="list-style-type: none"> <li>If Council was to supply compostable plastic bags it would require additional budget of approx. \$500K per annum for option A</li> </ul>	A	<ul style="list-style-type: none"> <li>Some survey respondents have raised concerns about the smell of FOGO with a fortnightly collection. The Cleanaway processing facility does accept compostable plastic bags for FOGO</li> <li>Compostable plastic bags are not recommended as this can lead to contamination</li> <li>Bags would not align with Council's plastic free focus and would send the wrong message</li> </ul>
SV Grant for new glass & FOGO bin infrastructure not included	<ul style="list-style-type: none"> <li>Council has been awarded a \$400K infrastructure grant</li> <li>The \$400K would be deducted from the cost of each option for year 1</li> </ul>	All	<ul style="list-style-type: none"> <li>The funding has not been included in the costings at this stage as the timing and final contracts have not been signed off between Council &amp; SV.</li> </ul>