



Staff Report

Operations – Sustainability & Solid Waste

Report To: COW - Operations, Planning and Building Services
Meeting Date: February 24, 2026
Report Number: OPS.26.002
Title: Landfill Expansion – Phase 2 Budget Considerations
Prepared by: Jeffery Fletcher, Manager of Sustainability & Solid Waste

A. Recommendations

THAT Council receive Staff Report OPS.26.002, entitled “Landfill Expansion – Phase 2 Budget Considerations” for their information and endorse Option #1 for consideration in the 2027 Town Budget.

B. Overview

The Phase 2 Landfill Expansion capital project is anticipated to require a higher budget than originally identified in the 2020 Five-Year Capital Plan and the 2022 Budget. While cost escalation was applied, those increases have not kept pace with current market conditions, and the overall budget requires adjustment to support final engineering and construction.

Council was previously advised of this emerging cost pressure and the timing considerations associated with the Phase 2 Landfill Expansion through the 2026 Draft Budget process. Specifically, Staff Report CFS.25.061, presented to Council on November 17, 2025, identified that updated information on the Landfill Phase 2 project would be brought forward in early 2026, noting construction cost escalation, remaining landfill capacity, and the need for a comprehensive recommendation on how to proceed.

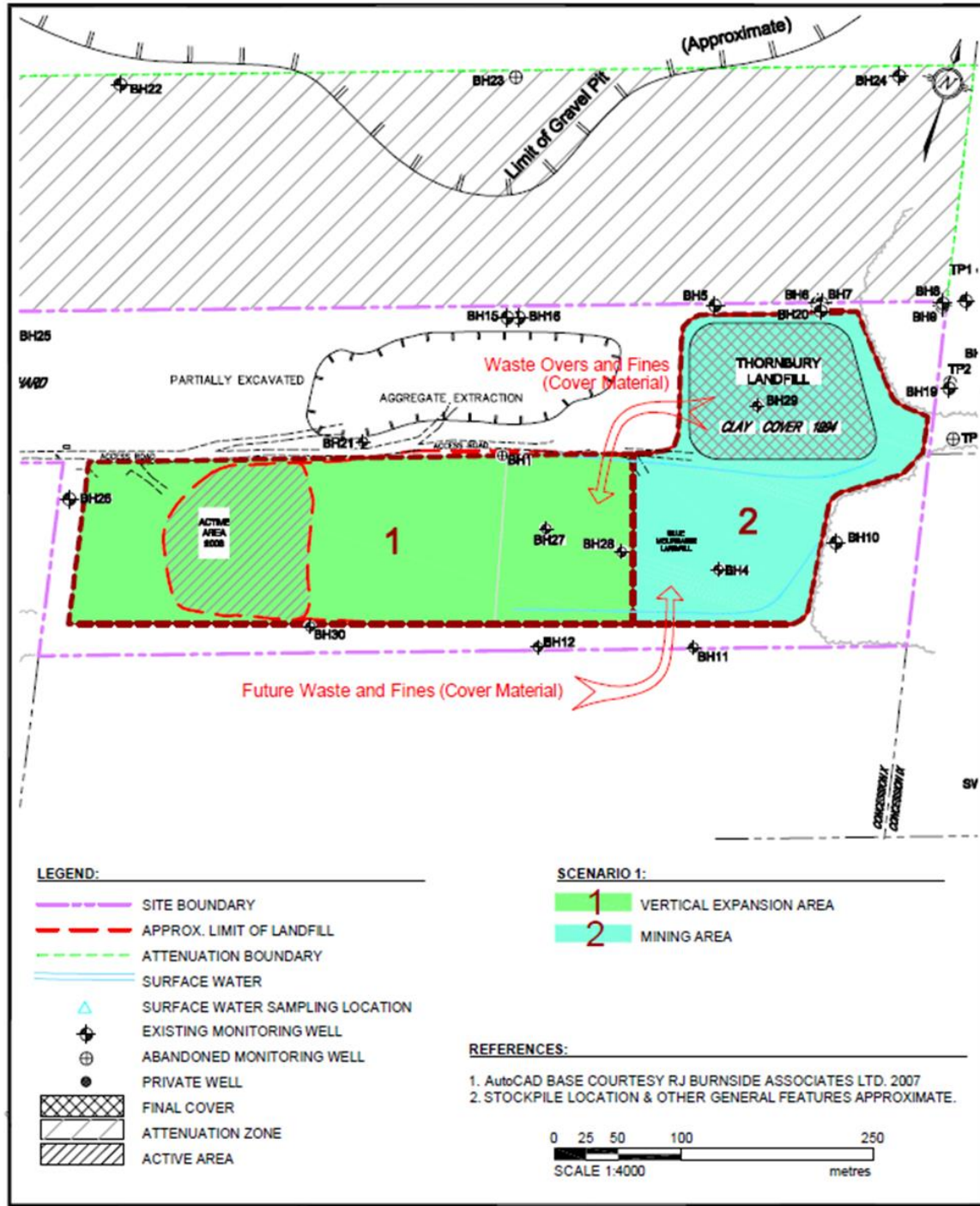
This report fulfills that commitment by providing Council with the updated cost estimates, analysis of alternatives, and a recommendation to update construction costs in the 2027 Town Budget, which will also propose construction in 2027 in order to ensure continued waste disposal capacity for the Town.

C. Background

As part of the 2026 Budget deliberations, Council was advised that updated information regarding the Phase 2 Landfill Expansion would be forthcoming in early 2026. Staff identified that construction costs had escalated beyond the original budget assumptions and that remaining landfill capacity necessitated timely decision-making to avoid operational risk. This report builds on that prior update and provides the detailed analysis and recommendations referenced during the budget process.

In 2015 the Town completed Phase 1 of the Landfill Site Expansion Project. This project was approved through an Environmental Assessment to mine the existing eastern portions of the Site and line the excavations with an impermeable barrier. The mining and lining approached afforded two major outcomes for the Site, expanded capacity and improved protection for the adjacent ground water and adjacent Creek. The approval process for this expansion began in 2008. The prescribed Environmental Screening Process (ESP) involved extensive public consultation and technical hydrogeological design and was completed in 2012. The Environmental Compliance Approval and the design of the Site is structured around mining the eastern portion of the landfill footprint and lining, prior to adding new waste to the excavated area. Any deviation from this approved design would require revisiting the Environmental Assessment and gaining new approvals.

The project was divided into two phases of construction. Phase 1 completed in 2015 created a new lined landfill cell with an approximate capacity of 50,000 cubic meters. The Phase 2 work, proposed for construction start in 2026, will create an additional lined cell with another 50,000 cubic meters of capacity. A third aspect of the project is a vertical lift expansion on the western portion of the Site. This vertical expansion of 100,000 cubic meters allows for space to landfill the mined waste excavated from the eastern portion. The Figure below provides a visual representation of the phases and areas for expansion.



Grey County has budgeted a county-wide review of waste management in 2026. This study is expected to summarize waste management programs and assets in the lower-tier municipalities. The study may also consider a scenario in which the County assumes the role of waste management. However, any transition to County led waste management is likely to take years, and the Town needs to proceed with the expansion project now to ensure waste disposal capacity is available for The Blue Mountains community.

D. Analysis

The Phase 1 expansion provided an additional 15 years of Site life. Before the end of 2030 it is anticipated that the existing capacity will be consumed. The Phase 2 expansion construction will require two years to complete. To ensure the Town has sufficient and available waste disposal capacity construction commencement was proposed for 2026. Construction could be tendered in 2026 to begin construction in 2027, to assist with reducing pressures on reserves.

Delaying until 2027 will require staff and the project engineer to review costs again to inform a new total project cost for the 2027 Town Budget. The Town can also generally expect an increase in construction costs with a delay in construction. Cost of living increases, labour and material cost increases generally rise overtime, and will escalate the project cost over the current estimate and potentially over what has been outlined in this report. Delaying the project beyond initial project scope, could trigger increased engineering fee rates, however contingencies and savings in other areas of engineering could keep the engineering portion within budget.

Further to the Staff Report CFS.25.061 construction costs escalated beyond the original budget assumptions for the following reasons:

- Initial budget was created without the benefit of detailed design, the budget was created using assumptions and prices known from the Phase 1 project;
- the initial budget was developed prior to the pandemic, which had dramatic impacts on labour and material costs;
- a 12% escalation was added to the initial project budget following the pandemic, however subsequent escalations were not added in the following years; and
- significant improvements, with significant cost (\$900,000) have been proposed to on-site drainage, which were not contemplated in the initial budget.

Pausing the project until 2027 is manageable. However, deferring the Phase 2 Landfill Expansion beyond that could expose the Town to continued construction cost escalation, regulatory uncertainty, and the risk of insufficient disposal capacity before replacement infrastructure is available. Proceeding in 2027 allows the Town to make planned use of the Solid Waste Asset Replacement Reserve for a core, long-lived asset, consistent with its intended purpose and principles of long-term asset stewardship, while avoiding higher future costs associated with delay or service disruption. While Grey County is undertaking a county-wide waste management review in 2026, any potential shift in service delivery would require significant time to implement and would continue to rely on available disposal capacity within the region, reinforcing the need for the Town to ensure sufficient landfill capacity in the interim.

Upon completion of the Phase 2 expansion the Site will have estimated capacity until 2057. This estimate is based on current annual landfilling rates. As population in the Town increases and annual consumption increases, the number of years of landfilling capacity could be depleted.

Risk Management Strategy

Projected estimates for this project are considered Class C, meaning there is final design information and a degree of variance +/- 15 – 20 percent that may potentially occur with final costs. Following the release of the tender, if there are submissions received that exceed the approved budget staff are prepared to propose modifications to the water drainage scope to mitigate fiscal impacts and reduce the budget by approximately \$900,000, while ensuring critical service can continue to be delivered. This Class C cost estimate will be updated for inclusion in the 2027 Town Budget.

Alternatives

For consideration the table below provides a high-level overview of 3 waste management options. Note that Staff are only recommending Option 1 with a 2027 construction start. Option 2 and 3 were developed to gain a perspective on other potential options for management of the Landfill Site but are not governing body approved.

Options	Description	Capital Cost	Annual Operational Cost	Annual Revenue	Total Annual Net Operating Cost
1	Phase 2 Expansion*	\$7,776,500	\$1,426,400	\$438,600.00	\$987,800
2	No Expansion, Close Landfill, Operate Depot	\$10,457,000**	\$1,545,600	\$438,600.00	\$1,107,000
3	No Expansion, Close Landfill and Depot	\$10,457,000**	\$748,000	\$0	\$748,000

*Final capping will occur in stages and progressively over the next 10-15 years

** Plus throw away costs of completed Phase 2 engineering, \$450,000

Service and Operational Considerations

Option 1 – Phase 2 Expansion

This is the status quo option, all existing service levels would continue, and the Town would not experience additional costs for waste haulage and export. Daily landfilling and operations would continue. Initial additional costs are anticipated for leachate management due to the expanded cell, once construction is complete. These additional costs will be eliminated four years after the completion of construction, because of progressive capping and filling of the Phase 2 cell.

Closure costs would be spread over the next 30 plus years. Completed areas would be progressively covered and capped using existing equipment, labour and materials. Smaller associated capital projects would be put forward in the coming years for topsoil and hydroseed application. Cap repairs and on-site maintenance would be completed in-house within the annual operational budget.

This option positions the Town with 30 plus years of landfill capacity. The municipality will have complete control of waste disposal costs and will not rely on external contractors for waste haulage and out of province/country export for disposal.

This option has the lowest capital cost and the second lowest operating cost. It will continue to provide waste management services to the community, including waste landfilling, yard waste composting, hazardous waste management, and general waste receiving at the depot.

The Environmental Screening Process (ESP), completed in 2012 were 2 concurrent screenings, one for the expansion and one for the mining. The mining and lining part of the project not only provides new landfill space but approval was gained because the expansion also provided a solution to migrating groundwater contamination. Lining the east side of the landfill footprint provides a buffer to the adjacent Creek. The Phase 1 expansion has resulted in reduced contaminate migration as observed in annual water monitoring. It is anticipated that the Phase 2 expansion will contribute to reduced ground and surface water impacts, as designed.

Option 2 – No Expansion, Close Landfill, Operate Depot

Option 2 proposes to not proceed with the Phase 2 expansion, close the Site to active landfilling permanently and operate the Site as a waste transfer depot only. This would trigger a new Environmental Compliance Approval application to the Ministry of Environment, Conservation and Parks (MECP). In addition, the MECP would require the Town to re-open the Environmental Screening Process (ESP). The Environmental Screening will cost in the range of \$400,000 and will take 2 or more years to complete.

The capital budget for this option includes:

- Re-open Environmental Screening Process (focused Environmental Assessment)
- Engineering to redesign the cells and closure,
- Engineering during construction,
- Raising the existing liner and backfilling,
- Installation of impermeable cap over easterly portion, and
- Completing of soil cap over the westerly portion of the landfill footprint.

Closer of the landfill has the advantage of avoiding the cost of Phase 2 expansion, however closure and redesign approval, engineering and construction are estimated to involve higher capital costs than Phase 2 expansion and throw away costs associated with current Phase 2 engineering (\$450,000). In addition, there is a risk of unforeseen costs. The early estimates of Option 2 are very preliminary and as is typical with projects, the unknown and unforeseen aspects often create higher final costs.

Option 2 has a higher annual operating cost than Option 1. Although some savings would be realized related to staff and equipment expenses associated with discontinuing of daily landfill compaction, the cost of hauling and disposing of waste off-site has an estimated cost of almost \$600,000 in year one. There is a risk that the Town will be exposed to increasing costs for waste haulage and disposal year after year. Without the Town landfill available, all waste will need to be hauled and disposed of at a private facility, which could be located out of province or even across the border. This creates another level of cost risk if waste export issues arise. Ontario has limited landfill capacity, and the Town would ultimately be competing for access to that capacity with other municipalities and major cities.

Service levels for the public would be largely the same in Option 2 as Option 1. However, larger loads of waste would not be able to be tipped directly in a landfilling area, and all garbage would need to be placed directly into larger bins for haulage off-site. Curbside garbage trucks would haul directly to Miller Waste in Owen Sound and garbage would be transferred from there to an undetermined disposal site. Yard waste would continue to be delivered to and processed at the Town Landfill. Curbside organics would continue to be transferred to the processing facility in Aurthur.

Option 3 – No Expansion, Close Landfill, Close Depot

In this option the Town Site would cease to operate as an active disposal site or transfer depot. The most prominent outcome of this would be no local location for waste disposal or drop-off. Any resident or business with waste of any kind would need to drive to the closest private transfer station, which is likely to be Owen Sound.

The Blue Mountains 2024 Resident Satisfaction Survey highlighted the perceived importance of having a local Landfill and Recycling Depot. Respondents largely did not support a hypothetical service reduce to the Landfill and Recycling Depot to lower taxes. The 566 respondents placed Landfill and Recycling Depot service reductions among the least favourable Town services to reduce. Only 5% indicating support for a hypothetical service reduction. This is a good indication that residents and local businesses would not support the closure of the Depot.

Complete Site closure also comes with a considerably higher capital cost. Closing the Site to landfilling does not end the Town's responsibility for management of the Site. The capital costs of closer in Option 3 are the same as Option 2, approximately \$11 million

Operational costs continue in perpetuity even in Option 3. Initially, leachate haulage and treatment costs will continue, this will reduce in time due to lower leachate generation. However, other costs will continue and most certainly rise overtime. And, as explained on Option 2, curbside and Town operationally generated waste will need to be hauled to and disposed of at a private facility, and the Town will have no control over costs. In addition, with the complete closure of the Site, there will be no revenue source other than taxation.

Recommendation

The sections above outline 3 options to consider. It must however be understood that Options 2 and 3 are outside of the existing Environmental Assessment Act approval and any alternative

to the existing approval would need to return to the approvals stage to be re-evaluated. During the ESP a “do nothing” option was considered. As part of the ESP Risk/Impact Evaluation “do nothing” scored the highest (worst) for risk and impact. If the Town re-opened the ESP it would be identified that closure would need to be designed as outlined in Options 2 and 3, with a liner to avoid groundwater contaminate transport. Options 2 and 3 are not governing body approved and must first go through a re-opened Environmental Assessment Process. It would be pre-supposing the environmental assessment process to conclude that the preferred solution will be to close the Site. It is important to note that Option 1, to mine and line the eastern portion of the Site was the preferred scenario in the ESP, following extensive public, indigenous and agency consultation and approved by the MECP.

Final Ministry of Environment Conservation and Parks detailed design approval for this project was received in October of 2025. This project is ready to tender and is expected to take two construction seasons to complete. By December of 2025 the Site will have only 5 years of remaining capacity. The project is ready to tender in 2026 and construction must occur in 2027 and 2028, before new capacity is needed in 2030.

The table below outlines the recommended task timeline and the associated remaining landfill capacity. Once the Phase 2 cell is complete the Site will have capacity, at current consumption rates, until 2057.

Task	Quarter	Year	Estimated Phase 1 Cell Capacity (End of Year)
Final Design and Approval	3	2025	23,800 m3
Construction Tendering	4	2026	18,900 m3
Construction Mining and Excavation	2 and 3	2027	14,000 m3
Leachate Pre-treatment System Upgrades	3 and 4	2027	
Construction Cell Base, Leachate System and Liner	2 and 3	2028	9,100 m3
Phase 1 Cell Operations		2028-2029	4,200 m3
Phase 2 Cell Operations		2030	-700 m3

Town Staff are recommending that Council proceed with the Phase 2 Expansion capital project and give consideration to increasing the existing project budget during the 2027 Town Budget

deliberations. The existing approved project budget of \$5,120,000 will need to be increased from between \$1.8 and \$2.7 million. The table in the Financial Section of this report outlines the known and anticipated costs. Should this project move forward expenditures will be incurred over the next three years, given that this project will be funded from the Solid Waste Asset Replacement Reserve Fund and noting that these amounts exceed the projected balances it is expected that internal/external financing will be required.

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F. Environmental Impacts

Landfills are a significant contributor to a community's Greenhouse Gas (GhG) emissions. Decaying waste generates methane gas; methane molecules have a high global warming factor. The original engineering scope included designing a landfill gas capture system. However, it was determined that for this size and configuration of landfill a capture system would be cost prohibitive and not effective.

Staff are investigating an alternative landfill cap that would install a 2-3 hectare willow grove. This specialized plantation is designed to reduce and treat landfill leachate. This nature-based solution will have the added benefit of carbon (methane) offsetting. Additional approvals and engineering controls will need to be considered to ensure separation between leachate irrigation and surface water run-off.

A grove of willows planted on the landfill cap would be irrigated with leachate, this process will reduce leachate generate and significantly reduce annual treatment costs, creating a net reduction in operating cost year after year. The tree planting may also be eligible for federal

funding support. The trees will offset GhG emitted from the landfill and the harvested willow will be made into a product which will contribute to a circular economy approach.

G. Financial Impacts

This project was originally included in the Town’s 2020 Five-Year Capital Plan with a budget of \$4,070,000 and was later approved at \$5,100,000 as part of the 2022 Budget, based on the Phase 1 construction costs. Increased waste diversion and reduced waste disposal from the commercial sector have extended the operational life of the Phase 1 cell, allowing the project to be deferred. While an escalation was applied to the original budget, those adjustments have not kept pace with current market conditions and construction costs.

Working with the project engineer, the Town has now completed an updated project estimate for the Phase 2 Expansion totaling \$7,776,537. This estimate reflects a Class C construction cost based on final design and current area construction pricing and includes all associated engineering and contract administration costs. However, costs and project components will be revisited during the 2027 Town Budget development and a final updated estimated cost will be submitted with a capital project budget proposal.

The table below summarizes the key components of the Phase 2 Landfill Expansion current project estimate.

Item	Description	
Engineering	Final Design, Construction Monitoring and Contract Administration	\$870,000
Construction Estimate	Class C Estimate provided in February 2025 (includes a \$900,000 contingency and \$900,000 in non-critical drainage improvements)	\$6,906,537
Leachate Pre-treatment Upgrades	Additional Leachate pre-treatment storage and pump	\$95,478
Total Project Estimate		\$7,776,537.00

Public Services Accounting Board (PSAB) Impact on Financial Statements:

Under current PSAB requirements, including PSAB 3280 – Asset Retirement Obligations, the Town already recognizes a significant long-term liability associated with landfill closure and post-closure care. Proceeding with the Phase 2 Expansion will increase both the recorded value of the landfill asset and the associated retirement obligation; however, this impact is accounting-based and does not result in immediate cash or tax levy pressures. Extending the landfill’s service life allows closure and post-closure obligations to be recognized and managed

over a longer period, avoiding the accelerated financial statement impacts that would arise from early closure or service discontinuation.

Reserve Balances:

The Town holds reserve and reserve fund balances that have been established over time to support capital investment, asset replacement, and financial risk management.

Reserve Title	Balance (Estimated as of Dec-31-2025)
Solid Waste DC Reserve Fund *	\$110,000
Solid Waste Asset Replacement Reserve Fund	\$146,000
Solid Waste Post-Closure	\$1,560,000

*The Solid Waste DC reserve is a legacy balance from an earlier period when landfill infrastructure was eligible under the Development Charges Act; while new collections are no longer permitted, existing balances were grandfathered and remain on the books subject to legislative restrictions.

The timing and method of financing for this project, including the use of internal or external debt, will be determined as part of the Town’s ongoing capital plan updates and detailed cash flow forecasting, ensuring alignment with reserve availability, debt capacity, and overall financial sustainability.

H. In Consultation With

Monica Quinlan, Director of Corporate & Financial Services / Treasurer

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Jeffery Fletcher, Manager of Sustainability & Solid Waste managersolidwaste@thebluemountains.ca .

J. Attached

None

Respectfully submitted,

Jeffery Fletcher,
Manager of Sustainability & Solid Waste

Alan Pacheco
Director of Operations

For more information, please contact:
Jeffery Fletcher, Manager of Sustainability & Solid Waste
managersolidwaste@thebluemountains.ca
519-599-3131 extension 238

Report Approval Details

Document Title:	OPS.26.002 Landfill Expansion - Phase 2 Budget Considerations.docx
Attachments:	
Final Approval Date:	Feb 12, 2026

This report and all of its attachments were approved and signed as outlined below:

Jeff Fletcher - Feb 2, 2026 - 9:40 AM

Alan Pacheco - Feb 5, 2026 - 7:44 AM

No Signature found

Adam Smith - Feb 12, 2026 - 4:51 PM