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## 2006 BUDGET BRIEFING NOTE - Multi-Unit Residential Waste Reduction Levy

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### Issue/Background:

At its meeting on January 16, 2005 when Works Committee reviewed the 2006 Operating Budget of the Solid Waste Management Services (SWMS), they directed that the New and Enhanced Services Request for the Multi-unit Waste Reduction Levy be operated on a cost recovery basis and the request be forwarded to the Budget Advisory Committee for consideration. Also at its meeting on January 26, 2006, the Budget Advisory Committee requested information on the impact on diversion from the Levy program.

In July 2005, Council adopted the implementation of the Multi-unit Residential Waste Reduction Levy as amended by Works Committee at its meeting on June 29, 2005. The key amendments include the following:

1. the City provide mock billing to multi-unit buildings participating in the program during the period January 1, 2006 to July 1, 2006,
2. the City delay the billing of the multi-unit reduction levy until July 1, 2006, and
3. the City set the target point at which multi-residential units pay a fee at the average equivalent rate for single-family homes.

### Key Points:

Under the revised levy program as approved by Council, each building would be given a fixed amount of free waste volume per week/year based on the amount of waste the building should produce if it were to recover to the same extent as the average single home. If a building stays within the no-charge waste limit, there is no levy. If the volume is exceeded, a levy is paid on the excess waste. The levy is structured to start charging \$30 per tonne on a progressive scale to recover the City's actual cost of collection. In addition, the delay in the billing of the levy until July 1, 2006 would reduce the expected revenues in 2006. Moreover, there will be increases in the operating costs to monitor the program with by-law enforcement. The financial impact as a result of the amendments under the New and Enhanced Service Request in the 2006 operating budget of SWMS results in a net expenditure of \$1.6 million in 2006.

In order to operate the program on a cost-recovery basis with no impact on the net expenditures of SWMS, the net cost will have to be offset by additional recoveries of \$1.6 million from higher fees to be charged for residual waste above the free allowance limit. The levy charge would have to be increased to start at over \$90 per tonne which is the City's cost of collection, transfer, haulage and disposal of residual waste. The high levy charge will provide an additional incentive for waste

reduction in buildings. The following table shows that the average levy charge per building in 2006 increases significantly when more buildings achieve higher diversion and stay within the no-charge waste limit. The levy rate is spiraling upward with the shrinking number of buildings paying the levy and the remaining buildings over the no-charge limit will support the program. If the revenue expectation of \$2.3 million remains fixed, the average fee per building will reach an unsustainable level as more buildings reach the threshold or shift to private sector collection.

	Projected 2006 Levy Revenues (\$M)	Estimated Number of Buildings Paying Levy	Average Levy per Building in 2006
Budget Submission	\$0.7	2,500	\$272
Scenarios to raise additional \$1.6M to breakeven	\$2.3	2,000	\$1,140
	\$2.3	1,000	\$2,280
	\$2.3	500	\$4,560

The revenue expectation of \$2.3 million may be achievable for 2006, however, it is very difficult to quantify the impact at this time and the revenues will not be sustainable in future years as the number of buildings paying the levy is declining with this spiral upward levy charge.

The impact on the diversion from the amendments in the implementation of the program is shown below:

	Estimated Additional Recyclables Diverted in 2006 (tonnes)
Original Plan	50,000
Councillor Jenkins' Motion to allow for no-charge waste limit	37,000
Councillor Filion's Motion to reduce recyclable capture rate to 60%	25,000
Works Committee to delay billing until July 1, 2006	12,500

**Conclusion:**

Although the Multi-unit Residential Waste Reduction Levy program can be structured to operate on a cost recovery basis to eliminate the net expenditure of \$1.6 million in 2006, it sets in motion a downward spiral of revenue that is unsustainable in 2007 and future years as more buildings achieve greater diversion or the levy charge has to spiral upward with the declining number of buildings paying the charge. Rather than a short-term fix, it is more prudent to consider a broader-based Environmental Levy for 2007 as a new sustainable funding source for SWMS in attaining Council-approved diversion targets.

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