

Analyst Briefing Notes

Budget Committee

(October 17, 2008)

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October 17, 2008

PART I: 2009 OPERATING BUDGET**Executive Summary**

- The June 30th 2008 projected year-end net expenditure of \$122.493 million is \$1.820 million or 1.5% below the 2008 Approved Budget of \$124.313 million. The 2008 Approved Budget and projected year-end actual expenditures have been adjusted to account for the roll-out of the new bins beginning in July for multi-residential buildings and November for single-family residential households. The projected year-end favourable variance is largely attributable to the following:
 - Year-end expenditures are projected to be close to budget with under expenditures for recycling offset by higher costs for shipping waste to Michigan, including tonnage amounts and fuel surcharges and the increased cost of processing organics and leaf & yard waste.
 - Higher projected year-end revenues of \$1.8 million for sale of recyclable material (\$3.6 million) and anticipated contributions from reserves funds (\$1.9 million) offset by lower tonnage fees from Green Lane and transfer stations of \$3.7 million.
- The 3-Year Operating Budget for Solid Waste Management Services supports its Multi-Year Business Plan to complete the transition from tax based funding to a rate-based funding model for waste diversion to achieve the 70% waste diversion target by 2010. The 3 year Operating Budget for Solid Waste Management Services is also based on providing effective and efficient waste management and resource recovery services to residents, visitors and businesses in the City of Toronto in order to maintain a clean and healthy City, and to minimize the impact of waste on the environment.
- The Program faces several challenges in achieving its service mandate:
 - In 2009, on-going management of the first full year roll out of the volume-based rate structure, that began in 2008, generating an additional \$239.540 million in revenue to fully fund the City's Solid Waste Management Services as recommended in the staff report entitled "Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010" approved by Council at its meeting of June 19, 20 and 22, 2007.
 - Managing multiple increased waste diversion initiatives to meet the 70% reduction target by 2010 (equivalent to 250,000 new tonnes of diversion) within budget that may be impacted by fluctuating prices for recycled material.
 - The continuing risk of a Michigan border closure, although mitigated to some extent with the purchase and integration into current operations of the Green Lane Landfill. The City will continue shipping waste to Michigan Landfill until December 2010.
 - Ongoing costs for the perpetual care of former closed landfill sites and ensuring adequacy of the Perpetual Care Reserve Fund.

- The 2009 Recommended Operating Budget for Solid Waste Management Services of \$320.342 million gross is fully funded by \$239.540 in user fee revenue, WDO industry funding of \$10.160 million and other funding including sales of scrap and recyclable material of \$28.303 million, dumping fees of \$19.928 million and inter-divisional recoveries of \$7.152 million.

Table 1: 2009 Recommended Budget

(In \$000s)	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Projected Actual	2009 Recomm'd Base	2009 Rec. New/Enhanced	2009 Rec. Budget	\$	%	2010	2011
	\$	\$	\$	\$	\$			\$	\$
GROSS EXP.	276,962.6	276,920.7	318,002.6	2,339.2	320,341.8	43,379.2	15.7	3,088.5	4,594.6
REVENUE	152,649.7	154,427.7	318,002.6	2,339.2	320,341.8	167,692.1	109.9	3,088.5	4,594.6
NET	124,312.9	122,493.0	(0.0)	0.0	(0.0)	(124,312.9)	(100.0)	0.0	0.0
Approved Positions	1,326.6	1,326.6	1,371.3	12.5	1,383.8	57.2	4.3	0.0	0.0

- The 2009 Recommended Operating Budget for Solid Waste Management Services is \$320.342 million gross. This is comprised of base funding of \$318.003 million with \$2.339 million to fund new/enhanced service priorities. Approval of the 2009 Recommended Operating Budget will result in an increase of 57.2 approved positions.
 - As recommended in the report entitled “Recommended 2009 Residential Solid Waste Rates, Solid Waste Management Services Operating Budget will be removed from the property tax base in 2009 and provide full funding to support Solid Waste Management operations, capital work and the initiatives to achieve the 70% waste diversion goal. The recommended rates, unchanged from 2008, are reflected in the 2009 Recommended Operating Budget for Solid Waste Management Services.
 - The 2010 and 2011 Outlook identifies incremental funding to move forward with the 70% Diversion Plan. The 70% Diversion Plan is funded from user fees and generates no net incremental impact on the City’s tax base. After a full year implementation, the rates will be reviewed and Solid Waste Management will bring forward in September 2009, a multi year fee strategy to Budget Committee.
- The 2009 Recommended Base Budget incorporates the Program’s key cost drivers including annualized impact of COLA, and other non-discretionary expenditures that total \$12.445 million net. Further base changes of \$28.829 million in expenditures and \$6.870 million in revenue are recommended in order to proceed with the 70% Diversion Plan as well as a contribution to the Stabilization Reserve.
- New / Enhanced service priority actions of \$2.339 million gross and \$0 net are also recommended in order to proceed with the 70% Diversion Plan. These new and enhanced service priority actions are mainly funded from the new volume-based user fees and will enable Solid Waste Management staff to improve customer service, meet legislative

requirements and advance to Council's strategic priorities. The recommended new enhanced services priorities include:

- Emerald Ash Borer (\$1.506 million);
 - Customer Service -311 (\$0.154 million);
 - New Infra-Structure & Contract Administration (NI&CA) Support (\$0.119 million);
 - Street Furniture/Litter Baskets (\$0.111 million);
 - Ambassador Project (\$0.072 million);
 - WDO/HHW Events Coordinator (\$0.045 million);
 - Pandemic Provision (\$0.025 million);
 - Additional Financial Management Support (\$0.180 million); and
 - Special Events Coordinator (\$0.126 million).
- The 2009 Recommended Budget provides funding to:
 - manage residual waste of 646,002 tonnes, Green Lane third party residual waste 256,000 tonnes, recyclables (single stream) of 245,043 tonnes, Source Separated Organics of 138,151 tonnes and Leaf & Yard Waste of 104,269 tonnes;
 - support collection frequency to over 500,000 single family homes with expansion to 500,000 apartment/condominium units in 2008/2009 as follows: once every two weeks for recycling, waste and durable goods and once a week for green bins. These service levels are supported by a fleet of 319 collection vehicles and 935 positions.
 - continue development of new diversion initiatives such as Multi-Unit Mandatory Diversion Enforcement, providing green bins in Multi-Unit Residences, improved recycling cart capacity and on-floor carts for apartments
 - In 2008, Solid Waste Management Services began the transition to a volume-based rate funding structure whereby multi-residential buildings and single-family houses will be charged a user fee for waste services in order to fund the service objective of 70% waste diversion by the year 2010. 2009 will be the first full year that Solid Waste Management Services will be funded by user fees based on volume instead of the traditional property tax base. The 2009 Recommended Operating Budget will enable staff to continue to secure long term processing and residual waste treatment capacity, manage closed landfill sites as well as addressing Council priorities, such as a Clean & Beautiful City.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. the 2009 Recommended Operating Budget for Solid Waste Management Services of \$320.342 million gross net funded by \$320.342 million in solid waste user rates and other recoveries comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Program Support	61,469.1	(195,562.9)
Collection	112,580.6	107,804.4
Transfer	26,656.4	17,514.6
Processing	49,185.7	20,571.9
Disposal	70,450.0	49,672.0
	<hr/>	<hr/>
Total Program Budget	<u>320,341.8</u>	<u>0.0</u>

2. the General Manager Solid Waste Management Services and the Deputy City Manager and Chief Financial Officer report to Budget Committee as part of the 2009 Year-End Variance Report on the actual net contribution to the Waste Management Reserve Fund as a result of the first full year implementation of new residential Solid Waste rate.
3. upon a full year implementation of the new residential Solid Waste rates, the General Manager of Solid Waste Management Services, report in September 2009, to Budget Committee on a multi-year fee strategy.
4. this report be considered concurrently with the “Recommended 2009 Residential Solid Waste Rates” (October 2008) report and the “Solid Waste Management Services 2008 Operating Budget Adjustment” (October 2008) report.

PART II: 2009 OPERATING BUDGET OVERVIEW**3-Year Operating Budget Overview**

The Solid Waste Management Services' Operating Budget supports its Multi-Year Business Plan to transition from tax based funding to a rate-based funding model to reach the 70% diversion target by 2010. The 3-Year Operating Budget for Solid Waste Management Services is based on fulfilling the goals outlined in their Mission Statement and supported by its Business Plan:

To provides effective and efficient waste management and resource recovery services to residents, visitors and businesses in the City of Toronto in order to maintain a clean and healthy City, and to minimize the impact of waste on the environment.

The Program is responsible for the collection of waste/recyclables/organics, and the operation of transfer stations, Material Recovery Facilities (MRF), a Source-Separated Organics (SSO) processing facility and an enhanced Litter Program to support the Clean and Beautiful City initiatives. The Program also manages several waste diversion programs including: environment days, backyard composter distribution, recovery of household hazardous waste, tire and white goods recycling.

In 2009, Solid Waste Management program will expand 2008 service levels and continue the transition of implementing a volume based rate structure and:

- Improve on the current residential diversion rate from 43% to 48%,
- Develop new diversion initiatives such as Multi-Unit Mandatory Diversion Enforcement and green bins in Multi-Unit Residences, Improved Recycling Cart Capacity and On-Floor Carts for Apartments.
- Secure short/long term processing capacity for diverted material
- Undertake analysis of mixed waste residential processing requirements.
- Continue the perpetual care of former closed landfill sites

In 2008, Solid Waste Management Services began the transition to a volume-based rater funding model whereby multi-residential buildings and single-family houses are charged a user fee for waste services in order to reduce waste at source. In addition to the volume based household user fee, the following activities will contribute to achieving the 70% diversion target by 2010:

- City-wide 'In-Store Packaging' initiatives;
- New curbside services for Household Durable Goods Reuse and Recycling;
- Expanded Recycling including initiatives including:
 - additional capacity with new Blue Bins;

- new material to blue bin program (Polystyrene, and Plastic film);
 - enforced mandatory diversion By-law; and
 - doubling the number of public space recycle bins (from 5,000 to 12,000).
- Expanded Green Bin Program for Apartments, Condominiums, Town homes that began in November, 2008;
 - Expanded Household Hazardous /Special Waste Services including 7 days week depots; and curbside collection of products; and
 - Mixed waste treatment prior to landfill.

2009 Recommended Operating Budget will enable staff to secure long term processing and residual waste treatment capacity, manage closed landfill sites as well as address Council priorities, such as a Clean & Beautiful City. 2009 will be the first full year that Solid Waste Management Services will be funded by user fees based on volume instead of the traditional property tax base.

The 2010/2011 Outlook projects incremental funding that will advance strategic priorities to achieve the 70% diversion target by improving customer service and meeting legislative requirements. COLA for future contract settlements with Local 416/79 and non-union wage settlements are not currently included in 2010/2011 as these are dependant on future negotiations.

Service Challenges and Opportunities

Given the substantial resources required to achieve the 70% diversion target, Solid Waste Management Services potentially faces significant challenges in future years. Further complicating the situation is the potential closure of the U.S. border to Toronto's waste. However, this is somewhat mitigated with the purchase of the Green Lane Landfill site in Ontario. In addition, started in 2008, volume-based user fee model that offset cost to implement recycling initiatives as part of the 70% Diversion Plan. Achieving 70% Diversion is dependant for the most part on the success of the rate based user fee program providing stable funding. New/enhanced service level priorities recommended for 2009 total \$2.339 million for initiatives to be funded through new user fees.

Challenges for Solid Waste Management Services include:

- Managing multiple new waste diversion initiatives to meet the 70% reduction target by 2010, with fluctuating prices for sale of recyclable materials
- Continued implementation in 2009 of the volume-based rate structure to generate \$239.540 million annually as recommended in the staff report entitled "Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010" approved by Council at its meeting of June 19, 20 and 22, 2007.
- Undertaking analysis of mixed waste residential processing requirements.

- Continued liability for perpetual care of former closed landfill sites and adequacy of the Perpetual Care Reserve Fund, risk of Michigan border closure, although mitigated to some extent with the purchase of the Green Lane Landfill,
- Managing the continuing integration of the new Green Lane Landfill site.

2009 Key objectives to achieve 70% diversion target include the following:

- The provision of in-unit and on-floor recycling systems to increase the recovery of recyclable material in multi-unit residences;
- The implementation of door-to-door curbside collection for townhouses;
- Education and enforcement of the City's Diversion By-law;
- Phase in apartment SSO collection over 18 months (begin November 2008) and continue through 2009. Program rollout subject to favourable results with additional Ontario SSO processing capacity recently identified;
- Durable goods collection commencing in 2008 and continuing through 2009 in conjunction with reuse pilot centre (on-line mid 2008);
- Subject to results of the reuse pilot facility, SWMS will determine which electronics and other durable goods will be included with potential reuse centres. Number of facilities, possible locations and possible partnerships or grant programs for reuse organizations will be assessed;

Service Objectives & Priority Actions**Service Objectives**

The service objectives for Solid Waste Management Services address the challenges and opportunities outlined above, and primarily reflect the strong regulatory environment and aggressive waste diversion targets. The following section provides *key* Solid Waste Management Services measurable service objective targets for 2009 and beyond:

2009

- Create Solid Waste Utility that is 100% rate supported to fund operating and capital budgets by recommending long-term volume based rates impacting over 1 million customers based on resident bin selections.
- Improve on the current residential diversion rate from 43% to 48% by:
 - Developing new diversion initiatives such as Multi-Unit Mandatory Diversion Enforcement and green bins in Multi-Unit Residences, Improved Recycling Cart Capacity and On-Floor Carts for Apartments;
 - Securing short/long term processing capacity for diverted material;
 - Undertaking analysis of mixed waste residential processing requirements.
- Continue the integration of Green Lane Landfill as a cost neutral business unit.

2010

- Achieve 70% Diversion Target by continuing Diversion activities started in 2008 including:
 - Developing new diversion initiatives such as Multi-Unit Mandatory Diversion Enforcement and green bins in Multi-Unit Residences, Improved Recycling Cart Capacity and On-Floor Carts for Apartments;
 - Securing short/long term processing capacity for diverted material;
 - Increasing recyclable materials;
 - Undertaking analysis of mixed waste residential processing requirements.

2011

- Complete transition of residual waste to be disposed at Green Lane landfill by January 1, 2011, following completion of Michigan haulage and disposal contract during December 2010.

Priority Actions

The 2009 Recommended Operating Budget for Solid Waste Management Services directly addresses, the following strategic priorities outlined in Council's policy agenda and Mayor's Mandate:

- ***Create a Coordinated Litter Action Team that Will Quickly Clean Up Serious Litter and Dumping problems Identified by Resident's Calls to an New "311" telephone service.***

The 2009 Recommended Operating Budget directly addresses the above priority, by creating a team from various ABCDs with a goal of responding within 48 hours to any serious problem area. No additional costs are anticipated; however this will require increased coordination with other divisions and staff managing the 311 initiative.

- ***Climate Change, Clean Air and Sustainable Energy Action Plan***

Solid Waste Management Services is involved in several initiatives that will directly contribute to advancing goals outlined in the Climate Change, Clean Air and Sustainable Energy Plan:

- Increased waste diversion (to 70% by the year 2010):

Several new initiatives corresponding to the above priority have been approved by Council and will be funded through the new volume-based user fee system which will generate an additional \$54 million beyond current operations on an annualized basis. New Solid Waste Management service priority actions totaling \$20.349 million, supported by new user fees, will allow the City to advance on its waste diversion goal of 70% by the year 2010. These priority actions will be phased-in during 2008 for multi and single residential buildings and will improve recycling, residual waste and organics collection and processing. By diverting waste from landfills, less biogas is produced which benefits the environment. Biogas will also be investigated as a potential source of energy generation. Increased contributions toward the perpetual care of landfills are also recommended in 2009.

To achieve the higher diversion target, the Solid Waste Management Services Division is planning to expand Toronto's aggressive diversion plan by:

- Expanding the Green Bin program to include apartments & condominiums;
- Building a composting plant that will increase capacity and provide and provide long term stability for the Green Bin Program;
- Enforce mandatory waste diversion practices for apartments & condominiums;
- Expand recycling activities in apartments & condominiums by providing in-unit containers;
- Expanding the range of recyclable materials in the blue box to include: polystyrene, and plastic film;

- Establishing a reusable goods drop-off centre to provide residents with a one-stop location for reusable goods;
 - Establishing Curbside collection of durable and reusable goods commencing in 2008 for single and multi-unit residences;
 - Implementing comprehensive on-going promotion and education campaign aimed at changing the purchasing behaviour of residents.
- Renewable Energy Systems with landfill gas utilization:
- At its meeting of July 16, 17, 18, & 19, 2007, City Council adopted recommendations embodied in the staff report entitled “Climate Change, Clean Air and Sustainable Energy Action Plan: Moving from Framework to Action”. Solid Waste Management has focused on utilizing digester and landfill gases as requested in the following recommendations outlined from the amended report:
 - i Direct the General Manager of Solid Waste Management to report on plans to collect and utilize landfill gas at the recently acquired Green Lane Landfill site and plans to utilize digester gas from the City’s anaerobic digestion facilities that process organic materials collected through the Green Bin program.
 - ii Authorize the General Manager of Solid Waste Management Services to negotiate and execute an Agreement between the City of Toronto, the Toronto and Region Conservation Authority and Toronto Hydro Energy Services Inc. (THESI), to install and operate electrical generation equipment to utilize methane from the Thackeray Landfill Site.

The current status of various landfills includes Keele Valley which generates 20MW of energy per year, Beare Road generates 2 MW, and Brock West generates 2MW. Green Lane currently collects and flares landfill gas to reduce air emissions. The Program is recommending moving forward with a Request for Proposal for landfill gas utilization at Green Lane to generate electricity. Plans are currently underway to introduce gas flaring to reduce air emissions by mid-year 2009 at the Thackeray Landfill.

- Greening of Collection vehicles with bio-diesel. All 324 collection vehicles are mandated to run on 5% bio-diesel to reduce harmful emissions. Solid Waste Management Services is currently working with Fleet Services to introduce more vehicles during 2008 that meet this standard.
- Greening of litter collection vehicles with vacuums and sweepers incorporating higher emission standards for particulate matter. Solid Waste Management Services is currently working with Fleet Services to introduce more vehicles during 2008 that meet this standard and with the Toronto Environment office to test current vehicles and refine standards.
- Use of green roofs where possible at Solid Waste Management facilities. Green roofs are currently planned for the Dufferin Transfer Station Admin building, the Bermondsey and Ingram Collection Yards and the Disco & Dufferin Separated Source Organics

Processing Plants. Green roof technology will reduce air emissions by saving energy and reducing water use.

The 2009 Recommending Operating Budget provides enhanced service levels for the following diversion initiatives:

- Door-to-door curbside service in town homes;
- Full access to recycle and Green Bin service for residential above commercial;
- Extend household special waste depot operations to 5 days per week (Pilot multi-unit mobile depot);
- Replace and upgrade existing street litter / recycle bins

PART III: 2008 BUDGET VARIANCE ANALYSIS

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	239,216.0	276,962.6	276,920.7	(41.9)	(0.0)
REVENUES	68,192.9	152,649.7	154,427.7	1,778.0	1.2
NET	171,023.1	124,312.9	122,493.0	(1,819.9)	(1.5)
Approved Positions	1,304.5	1,326.6	1,326.6	0.0	0.0

Note: Source is the Solid Waste Management Services 2008 Second Quarter Operating Budget Variance Report ADJUSTED FOR THE IN-YEAR PENDING USER FEE ADJUSTMENT

2008 Experience

Solid Waste Management Services' year-end net favourable variance is \$1.820 million or 1.5 % of the 2008 Approved Operating Budget.

The net favourable variance of \$1.820 million is attributed to \$3.6 million for higher than expected revenue from the sale of recyclable material and \$1.9 million for higher than anticipated contributions from reserve funds offset by lower tonnage fees from Green Lane and transfer stations of \$3.7 million. As a result, it is projected that Solid Waste Management Services will have a net favourable variance of \$1.8 million or 1% at year-end.

Impact of 2008 Operating Variance on the 2009 Recommended Budget

As of June 30th variance report, Solid Waste Management Services is forecasting to be under spent due to higher revenue than forecast. This is likely to continue in 2009 as diversion rates increase and more recyclable material becomes available for sale. However, increases in expenditures will offset the increase as the 70% Diversion Plan moves forward.

PART IV: 2009 RECOMMENDED BASE BUDGET
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Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
	\$	\$	\$	%	2010	2011
	\$	\$	\$	%	\$	\$
GROSS EXP.	276,962.6	318,002.6	41,040.0	14.8	3,088.5	4,594.6
REVENUE	152,649.7	318,002.6	165,352.9	108.3	3,088.5	4,594.6
NET	124,312.9	(0.0)	(124,312.9)	(100.0)	0.0	0.0
Approved Positions	1,326.6	1,371.3	44.7	3.4	0.0	0.0

2009 Recommended Base Budget

The 2009 Recommended Base Budget expenditures of \$318.003 million (gross), reflects an increase of \$41.040 million or 15% compared to the 2008 Approved Operating Budget of \$276.963 million. The increase in gross expenditures includes, and is directly attributable to, the continuing implementation of the 70% Diversion Plan for \$11.803 million as well as increased net contributions to the Waste Management Reserve Fund (before new & enhanced & excluding provision for debt repayment) of \$10.403 million. In addition, the 2009 Recommended Operating Budget includes:

- Annualized impact of COLA and non-labour inflationary increases of \$6.029 million;
- Inflationary factors and volume increases for Source Separated Organics processing, Michigan disposal, leaf & yard waste recycling and fleet service charges totaling \$10.543 million.
- Repayment of Capital debt or “debt financing” increased by \$5.964 million to fund ongoing capital programs.

The 2009 Recommended Base Budget revenues of \$318.003 million are \$165.353 million higher than the 2008 Approved Operating Budget. The increase reflects the implementation of new user fees on a full year basis, as well as revenue inflow from single stream processing of recyclables (\$4.453 million). The increases are mainly offset by the reversal of 2008 one-time reserve funding (from the closure of the Equipment Replacement Reserve Fund for Rental Containers (\$3.246 million)) and the sale of multi-residential collections bins (\$4.185 million), lower paid transfer station tonnage (\$0.928 million) and less revenue from the gas royalties (\$0.101 million).

The 2009 Recommended Base Budget reflects an increase of 44.7 positions from the 2008 approved complement of 1,371.3 approved positions. This represents a 39.1 position increase consistent with recommending funding for continuous implementation of the 70% Diversion Plan activities. As well, there is an increase of 1.6 staff for Household Hazardous Waste, 2 staff to coordinate glass haulage to contractors, and 2 staff for recycling operations. Note that the 2009 Operating Budget

does not reflect the pending transfer of 15 staff to Technical Services dedicated to the perpetual care of landfills. These staff are funded directly from the associated capital project. This transfer will be reported through the upcoming 3rd quarter operating variance report.

2009 Key Cost Drivers and Reduction Strategies

- The 2009 continued implementation of the 70% Diversion Plan will impact the base budget by \$11.803 million (gross) mainly for recycling programs started in 2008 with full implementation in 2009. These initiatives include requirements to support the volume base rate structure, and continued enhancements in source separated organics and leaf and yard waste funded mainly from user fees and recycling revenues.
- Impacts of prior year operations, and other inflationary pressures amount to \$10.669 million net and include the following:
 - Non-labour inflation, annualization of COLA and 2008 contracts and reversal of the leap year total \$6.465 million net.
 - Reversal of one-time funding sources such as funding from the equipment reserve of \$3.246 million and the sale of waste bins to apartments and condos of \$0.938 million.
- Revenue reductions of \$0.863 million due to lower tonnage at transfer stations, fewer royalties from landfill gas sales offset by increased user fees revenue from agencies, boards, commissions and departments.
- As noted in Appendix D “Inflows/Outflows to/from Reserves and Reserve Funds” the net contribution to the Waste Management Reserve Fund will be \$13.995 million. This is mainly comprised of \$20.344 million in user fee contributions, offset by \$7.791 million in capital debt repayment. As well, \$2.228 million in reserve funding will fund new & enhanced service priority actions as detailed in Table 4. Given the year-end projected balance of \$18.150 million as of December 31, 2008 and these net contributions the year-end balance, including an estimated 6.5% interest, is projected to be \$32.145 million as of December 31, 2009.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 Outlook continues the plan to reach 70% diversion target (\$2.799 million net in 2010 and \$2.951 million in 2011) as well as processing Source Separated Organics for \$1.574 million in 2011. These increases in costs are to be funded Solid Waste Management Reserve Fund. There is also presently no provision for COLA increases in either 2010 or 2011.

2009 Base Budget Issues**2009 Recommended Operating Budget vs. Guideline**

As the Program is now fully self-sustaining it does not impact the municipal property tax levy. Expenditures are continuously reviewed to ensure efficient and effective use of resources. Operating and capital investments are funded through solid waste user fees established each year by Council and included in the City's By-law. In 2009, the Program will complete transition to a fully user fee supported funding model with an additional \$124.3 million net cost not required to be funded by the property tax levy. Other sources of funding include revenue from the sale of recyclables and scrap material; Waste Diversion Ontario funding; inter-divisional revenue; and, sundry revenue.

2009 Key Cost Drivers and Offsetting Revenue

An additional \$12.211 million is required to fund annualized impact of new services approved in 2008 to implement the 70% Diversion Plan (\$5.572 million) (includes the operating impact of new bins), COLA including annualization of 2008 costs (\$3.220 million and non-salary inflationary impacts (\$2.809 million). As well, other base changes (\$21.134 million) include the Separated Source Organics program, debt financing, household hazardous waste collection, leaf & yard waste costs and Michigan disposal costs as well as fleet service charge increases for rental rates and fuel. In addition, reduced revenues for paid transfer station tonnage, landfill gas royalties and user fees from other City programs result in a \$0.824 million pressure.

These pressures will be funded by the incremental user fee revenue that will be collected from multi and single residential households, totaling \$162.233 million.

The 2009 Recommended Operating Budget includes a net contribution to the Waste Management Reserve Fund of \$8.175 million based on estimated user fee revenues of \$239.540. However, pending 2009 actual revenues realized, the contribution to the reserve may be revised. Thus, it is recommended that at the end of 2009, the Program report to Budget Committee on the actual net contribution that will be made to the Waste Management Reserve Fund.

70% Waste Diversion Program and New User Fees

Starting in 2008, Solid Waste Management Services is transitioning from being funded by property taxes to being funded through new user fees. The 2008 Recommended Operating Budget will be adjusted in-year to reflect the phased implementation of the transition to a user fee supported budget as well as a tax rebate program. The implementation is to be phased as follows: multi-residential solid waste management services are to be implemented starting July 1, 2008; and single family-residential solid waste management services to be implemented starting November 1, 2008.

The new user fees are based on the volume of residual waste that property owners produce for curbside collection, being charged an annual fee for a waste container selected from one of three bins provided by the City. Paying for waste collection based on the amount waste produced will encourage recycling and composting and ultimately increase waste diversion rates and decrease the volume of residual waste actually sent to landfills.

While user fees will be collected as property owners pay annual fees for their garbage bins, the property tax paid for Solid Waste Management will be refunded through a combined utility bill. The tax rebate will be based on refunding a base amount (equivalent to the smallest bin) of \$157 per bin for multi-residential customers and \$209 per bin for single-family household. All taxpayers will receive a credit on their utility bill (equivalent to the cost of the smallest bin) and depending on the size of bin chosen, residents may pay a premium (for medium or large size bins). The tax rebate program is funded in the Non-Program Budget.

As recommended in the report entitled “Final 2008 Fees - Getting to 70% Diversion by 2010” an additional \$58.1 million in revenues will be generated in 2008 from new user fees. The recommended base budget for Solid Waste Management Services will be reduced by \$58.1 million once the roll-out of the new bins begins in July for multi-residential units and November for single-family residential households. At the same time, taxpayers will receive a rebate equivalent to the proportion of their property taxes dedicated to Solid Waste Management. In addition, \$20.4 million has been approved in 2008 for new/enhanced service priorities necessary to implement strategies and programs to help reach the waste diversion target of 70% by the year 2010. This \$20.4 million is funding new initiatives (\$13.1 million), repayment of capital debt charges (\$1.8 million) and estimated contributions to the Waste Management Reserve Fund (\$5.4 million). As a result, the 2008 Approved Operating Budget will be revised to \$276.7 million gross and \$124.1 million net to reflect adjustments for part year implementation of multi-residential customers’ bins and single-family customers’ bins. The 2008 tax funding for Solid Waste Management Services will be replaced with user fees and this tax funding will be used to fund the tax rebate program. Please refer to the separate report entitled “Solid Waste Management Services 2008 Operating Budget Adjustment” (October 2008).

The following table summarizes the budget implications from transitioning to a volume based user fee program through 2008 and 2009:

\$ millions	2008 Budget						2009 Budget					
	Solid Waste Management			Non-Program Tax Rebate			Solid Waste Management			Non-Program Tax Rebate		
	Gross	Rev	Net	Gross	Rev	Net	Gross	Rev	Net	Gross	Rev	Net
Base Operating Budget	256.4	74.2	182.2	-	-	-	276.7	152.6	124.1	58.1	-	58.1
Total Base Adjustments	-	58.1	(58.1)	58.1	-	58.1	14.0	138.1	(124.1)	124.1	-	124.1
Base Operating Budget Revised	256.4	132.3	124.1	58.1	-	58.1	290.8	290.8	0.0	182.2	-	182.2
New Revenue Allocation:												
New Service Priorities	13.1	13.1	-	-	-	-	2.3	2.3	-	-	-	-
Capital Debt Charges	1.8	1.8	-	-	-	-	6.0	6.0	-	-	-	-
Contribution to Reserve Fund (incl. Capital & Stabilization)	5.4	5.4	-	-	-	-	21.0	21.0	-	-	-	-
sub-total New Revenue Allocation:	20.3	20.3	-	-	-	-	40.1	40.1	-	-	-	-
Operating Budget (at Year-end)	276.7	152.6	124.1	58.1	-	58.1	320.1	320.1	-	182.2	-	182.2

For 2009, the budget includes adjustments for inflationary increases and other incremental base changes. In addition to these base adjustments, annualized revenue (of \$124.1 million) from user fees results in a \$0.0 million net expenditure. Total new/enhanced service priorities of \$2.3 million are planned in 2009. \$6.0 million will fund repayment of capital debt charges and \$21.0 million will be contributed to the Waste Management Reserve Fund. This contribution amount will fund future

waste diversion initiatives as well as future base operating pressures. By year-end 2009, the entire Solid Waste Management program will be funded from revenue other than property taxes including sources such as WDO (Waste Diversion Ontario), the sale of recyclable materials and the new volume based user fees. 2009 will be the first full year of the tax rebate program for taxpayers.

As recommended in the report "Recommended 2009 Residential Solid Waste Rates" (Oct 2008), the rates will remain unchanged for 2009. The new rate structure was implemented on July 1, 2008 for residential bulk collection customers – primarily multi-residential units and will be implemented on November 1, 2008 for residential curbside collection customers – primarily single residential units. As the bin selection has just been finalized with many residents still opting to change bin selections, Solid Waste Management Services requires a full year experience to determine actual user fee revenues, and proposed changes to the bin rates.

Thus, it is recommended that upon a full year implementation of the new residential Solid Waste rates, the General Manager of Solid Waste Management Services, report in September 2009, to Budget Committee on a multi-year fee strategy.

Perpetual Care of Landfill Reserve Fund

Under provincial legislation, the Program is responsible for the perpetual care of 161 closed City landfill sites after primary operations have ended. Previous projections indicated that the Perpetual Care of Landfill Reserve Fund will provide for perpetual care expenses only until 2011; therefore contributions are required. A staff report from the Acting Commissioner, Works and Emergency Services, and the Chief Financial Officer & Treasurer, entitled "Adequacy of Perpetual Care of Landfill Reserve", dated November 3, 2004 recommended an annual operating fund contribution of \$3 million to the Perpetual Care Reserve Fund with increases of 5.55% each year thereafter.

One-time funding for the Perpetual Care of Landfill Reserve Fund contribution (\$3.000 million) was provided in 2005 from the 2004 Operating Budget Surplus. A similar contribution (\$3.166 million) was made in 2006 to the reserve from the 2005 Operating Budget Surplus. In 2007, the requested \$3.435 million to fund the contribution to the Perpetual Care of Landfill Reserve Fund added to the significant base pressures in this Program, and therefore was not recommended to be included in the Solid Waste Management Services 2007 Operating Budget. In 2008, a contribution of \$3.500 million was approved and will be funded by user fee revenue.

For 2009, it is recommended that a contribution of \$3.500 million be made to the Perpetual Care of Landfill Reserve Fund. Given the rate of capital funding that is being drawn from this reserve fund and the current yearly contribution rate increase of 5.5%, there are indications that the current balance in the reserve will be exhausted by 2017. As a result, 2017 shows a deficit of \$3.5 million. The possibility of increasing the contribution rate should be further examined. Preliminary analysis would indicate a further contribution increase of 3.1% from 5.5% to 8.6% per year starting in 2010 would be required, given current estimates, to maintain a positive balance in this reserve fund until 2018. In addition, it should be noted that a dedicated reserve, the Keele Valley Site Post-Closure trust account, currently also holds a balance of \$7.375 million and is subject to MOE regulation.

PART V: RECOMMENDED NEW SERVICE PRIORITY ACTIONS

Table 4
2009 New / Enhanced Service Priority Actions: Summary
(In \$000s)

Description	Total 2009 New/Enhanced		2009 Not Proposed		2009 Recommended		Rec. New Positions	2010 Increment Net Exp.	2011 Increment Net Exp.
	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.			
	\$	\$	\$	\$	\$	\$			
(a) Enhanced Service Priority Actions – Council Directed									
Emerald Ash Borer	1,506.2				1,506.2		3.0		
Customer Service -311	154.9				154.9		3.0		
New Infra-Structure & Contract Administration (NI&CA) Sr. Manager	119.1				119.1		1.0		
Street Furniture/Litter Baskets	111.1				111.1		2.0		
Ambassador Project	71.6				71.6		1.0		
WDO/HHW Events Co-ordinator	45.0				45.0		0.5		
Pandemic Provision	25.0				25.0				
Special Events Co-ordinator	126.3				126.3		2.0		
(b) Enhanced Service Priority Actions – Program Initiated									
Financial Management - PPFA	180.0				180.0				
Sub-Total Enhanced Service Priority Actions	2,339.2	-	-	-	2,339.2	-	12.5	-	-
(a) New Service Priority Actions – Council Directed									
					-				
(b) New Service Priority Actions – Program Initiated									
					-				
Sub-Total New Service Priority Actions	-	-	-	-	-	-	-	-	-
Total Enhanced/New Service Priority Actions	2,339.2	-	-	-	2,339.2	-	12.5	-	-

2009 Recommended New / Enhanced Service Priority Actions**Enhanced Service Priority Actions – Council Directed:*****Emerald Ash Borer (\$1.506 million gross and \$0 net)***

This is a provincially mandated responsibility designed to manage the infestation of the insect and prevent its spread outside of the City of Toronto. Special grinding and disposal operations are required in order to successfully manage the infestation. Funding of \$1.506 million is required for this service priority action to cover the cost of grinding ash wood, rental of a site, maintenance and site inspections. Transfer Operations has provided for 3 part time Heavy Equipment Operators in 2009. The recommended funding is a full year impact.

Customer Service -311 (\$0.154 million gross and \$0 net)

The 3-1-1 Program is being introduced in 2008 and currently, there are no Solid Waste Management Services (SWMS) staff in place for the co-ordination of high level 3-1-1 requests and 3-1-1 analysis and reporting requirements. Funding of \$0.154 million for three Research Analyst II positions is being recommended for implementation in February and July 2009. If not provided, there is a risk that the timely response/reaction to high level 3-1-1 requests will be delayed and any 3-1-1 analysis and reporting requirements will be difficult to provide. The annualized impact of this service priority action is \$0.084 million gross and \$0 net in 2010.

New Infra-Structure & Contract Administration (NI&CA) Sr. Manager (\$0.119 million gross and \$0 net)

NI&CS is experiencing significant increases in its workload. 2 new Organic Facilities will be built to handle 110,000 tonnes of green bin materials by 2012. As well, by 2012, six Reuse Centres will be commissioned and a third MRF will also be operational. The supervision and administration of these projects require the addition of a Senior Manager to ensure the success of these projects. If funding is not provided, the group will not be able to efficiently and effectively deal with the increasing demands required to meet service objectives regarding waste diversion and revenue generation. The annualized impact of this service priority action is \$0.011 million gross and \$0 net in 2010.

Street Furniture/Litter Baskets (\$0.111 million gross and \$0 net)

Funding of \$0.111 million is recommended to hire staff to plan/review/inspect the installation of the new litter bins under the new street furniture program. The cost for 2 Project Coordinators will be recovered from revenues generated from the new street furniture program. The recommended funding is a full year impact.

Ambassador Project (\$0.072 million gross and \$0 net)

Funding of \$0.072 million is recommended to hire a coordinator for the 3Rs Ambassador Program that was recommended by the 3Rs Working Group. The Research Analyst 2 position will co-ordinate a 3Rs education program aimed primarily at the multi-residential sector and provide

support to approximately 25 volunteers. The annualized impact of this service priority action is \$0.007 million gross and \$0 net in 2010.

WDO/HHW Events Coordinator (\$0.045 million gross and \$0 net)

This position will enable the timely reporting of the quarterly volume of Municipal Hazardous Solid Waste (MHSW) handled to Stewardship Ontario. The MHSW Program Plan Shared Responsibility Agreement was adopted by City Council on July 15/16, 2008. Also, the position will oversee the operation on-site and the hiring, scheduling, and training of part-time staff for the Community Environment Day Program. As well, this position will coordinate security to improve event delivery. The annualized impact of this service priority action is \$0.014 million gross and \$0 net in 2010.

Pandemic Provision (\$0.025 million gross and \$0 net)

Funding in the amount of \$25,000 is being recommended for essential operational supplies that may be required in the event of a pandemic outbreak. SWMS will be prepared with the necessary supplies as required and will ensure City priorities for this initiative are supported efficiently. The recommended funding is a full year impact.

Special Events Coordinator (\$0.126 million gross and \$0 net)

Special Events applications, the associated Waste Management Plans, as well as site visits are currently reviewed by existing staff which also coordinate existing events. Existing staff also undertake the Special Event co-ordination. In 2007, over 800 special events applications were reviewed. Funding of \$0.126 million is being recommended as a Council directive, to hire one Special Events Coordinator and one Support Assistant C to manage and support special events. Over the years, the number of Special Events has increased to 1,000 and is expected to continue to increase in the coming years. The annualized impact of this service priority action is \$0.051 million gross and \$0 net in 2010.

Enhanced Service Priority Actions – Program Initiated:

Financial Management - PPFA (\$0.180 million gross and \$0 net)

The complexity of the SWMS operating and capital budget has increased significantly based on the program changes made to meet the City's 70% diversion target. In order to meet the needs of SWMS, 2 additional Policy, Planning, Finance and Administration staff are required to ensure that there is timely preparation and analysis of the SWMS service plan and budget, ongoing financial and management analysis and reporting, and the development, monitoring and reporting of performance indicators for SWMS. The recommended funding is a full year impact.

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	1,326.6	276,728.8	94,570.6	182,158.1		
Pending Adjustment for 2008 User Fees			58,079.1	(58,079.1)		
Insurance Contribution		233.8		233.8		
2008 Approved Operating Budget	1,326.6	276,962.6	152,649.7	124,312.9		
Prior year impacts		6,182.5	158,327.4	(152,144.9)	(3,047.5)	(4,525.6)
Zero base items						
Economic factors		6,028.7	155.2	5,873.5		-
Adjusted Base Budget	1,326.6	289,173.8	311,132.3	(21,958.6)	(3,047.5)	(4,525.6)
Other base changes	44.7	28,867.5	7,733.1	21,134.4	3,047.5	4,525.6
Base revenue changes		(38.7)	(862.8)	824.1		
2009 Base Budget Request	1,371.3	318,002.6	318,002.6	(0.0)		
Recommended Service Level Adjustments:						
Base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments						
2009 Recommended Base Budget	1,371.3	318,002.6	318,002.6	(0.0)		
2009 Program Operating Target	N/A	N/A	N/A		NA	NA
% Over (Under) Program Target						
% Over (Under) 2008 Appvd. Budget						

Appendix B

Summary of Service Level Adjustments

(Not Applicable to Solid Waste Management Services for 2009)

Appendix C

**Summary of 2009 Recommended
New/Enhanced Service Priority Actions**

Appendix D

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Projected Balance as of December 2008 \$	Proposed Withdrawals (-) / Contributions (+)		
			2009	2010	2011
			\$	\$	\$
Vehicle Reserve- Solid Waste Compactors -Collection Support	XQ1021	762.2	150.0	150.0	150.0
(") -Equipment Replacement			8,417.4	8,417.4	8,417.4
subtotal: Vehicle Reserve- Solid Waste Compactors	XQ1021	762.2	8,567.4	8,567.4	8,567.4
Insurance Reserve Fund	XR1010	35,471.9	1,715.6	1,715.6	1,715.6
Perpetual Care of Landfill Reserve Fund	XR1013	31,600.0	3,500.0	3,692.5	3,895.6
(") -Bermondsey Transfer Station Operations			123.1	123.1	123.1
(") -Disco Transfer Station Operations			16.7	16.7	16.7
(") -Ingram Transfer Station Operations			74.3	74.3	74.3
(") -Victoria Park Transfer Station Operations			43.2	43.2	43.2
(") -Dufferin Transfer Station Operations			5.3	5.3	5.3
(") -Scarborough Transfer Station Operations			81.4	81.4	81.4
(") -Commissioner Transfer Station Operations			36.7	36.7	36.7
Perpetual Care of Landfill Reserve Fund funding to Capital			(8,201.0)	(8,025.0)	(8,632.0)
subtotal: Perpetual Care of Landfill Reserve Fund	XR1013	31,600.0	(4,320.3)	(3,951.8)	(4,355.8)
Waste Management Reserve Fund- to fund 2008 Base 70% Diversion	XR1404	18,150.2	(7,790.5)	(13,591.6)	(23,088.0)
Waste Management Reserve Fund- 2008 Contribution from User fees			20,344.7	25,721.3	24,990.1
Waste Management Reserve Fund- 2008 Contribution adjustment			1,440.7		
subtotal: Waste Management Reserve Fund	XR1404	18,150.2	13,995.0	12,129.7	1,902.1
Green Lane Reserve Fund Contribution	XR1408	760.2	638.1		
Green Lane Reserve Fund Contribution to Operating			(998.6)		
subtotal: Green Lane Reserve Fund	XR1408	760.2	(360.5)		
Green Lane Perpetual Care Reserve Fund	XR1409	417.6	248.1		
Green Lane Liability Trust	XT6109	101.6	100.0	100.0	100.0
subtotal: Green Lane (XR1408, XR1409, XT6109)	Green Lane	1,279.4	(12.4)	100.0	100.0
Total Reserve / Reserve Fund (Draws) / Contributions		87,263.7	19,945.2	18,560.9	7,929.4

Note: contributions & withdrawals do not include projected interest. XR1404 reflects contributions and capital debt repayment as per the latest program rate model.