



**STAFF REPORT
ACTION REQUIRED**

**Response to Council Motions – Getting to 70%
Diversion by 2010**

Date:	November 14, 2007
To:	Public Works and Infrastructure Committee
From:	Geoff Rathbone, General Manager, Solid Waste Management Services Joseph P. Pennachetti, Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	p:/2007/swms/nov/030PW (5491)

SUMMARY

In June 2007, City Council adopted the recommendations in Executive Committee report EX9.1 entitled “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”, as amended (herein referred to as “Amended Report EX9.1”).

Amended Report EX9.1 set out a financing model for Solid Waste Management Services (SWMS) where the cost of SWMS would come off the tax base and be funded instead by fees charged directly to SWMS customers (the volume based rate structure) beginning in 2008. It indicated that the volume based rate structure must generate a total of \$237.5 million annually (\$183.5 million for current services plus \$54 million for new initiatives) beginning in 2008 (prorated for a partial year in 2008) and increasing at a rate of 3.5% per year thereafter.

A number of the motions in Amended Report EX9.1 required staff to report back with additional information, which is included in this report. Other motions in Amended Report EX9.1 will be reported on as part of the 2008 Operating Budget process.

RECOMMENDATIONS

The General Manager, Solid Waste Management Services and the Deputy City Manager and Chief Financial Officer recommend that:

1. the bin fees brought forward for approval during the 2008 Operating Budget process be based on the principle that annual fees for the three largest waste bins be increased to offset the reduction in revenue associated with the fee reduction for the smallest waste bin (which was approved by Council in Amended Report EX9.1);
2. the bin exchange fees brought forward for approval during the 2008 Operating Budget process be based on the following principles:
 - a. residents be allowed to exchange their waste and/or recycling bin for a different sized bin for a fee once they have had the bin for at least two months;
 - b. the normal exchange fees shall cover the City's full cost of exchanging the bins except as set out below;
 - c. there shall be no exchange fee for downsizing waste bins (as approved by Council in Amended Report EX9.1);
 - d. the fee to exchange waste bins shall be reduced to 50% of the normal exchange fee for a three month period immediately following bin delivery; and
 - e. any lost revenue associated with c) and d) above shall be added to the residential solid waste rate structure;
3. the fees for repairing or replacing lost, stolen or damaged bins brought forward for approval during the 2008 Operating Budget process be based on the following principles:
 - a. there shall be no fee for repairing or replacing damaged bins; and
 - b. the fee to replace a lost or stolen bin shall cover the City's full cost to supply and deliver the replacement bin;

4. the volume based rate structure commence:
 - a. on or about July 1, 2008 for residential customers receiving bulk collection (i.e., multi-unit residential buildings, including town homes, receiving bulk collection); and
 - b. on or about November 1, 2008 for residential customers receiving curb side collection (i.e., single family residential buildings, including town homes and small multi-unit buildings currently receiving curb side collection); and
5. in respect of the following policy suggestions, which staff was asked to report back on:
 - a. the volume based rate structure not be used to pay for recycling and composting in Toronto parks;
 - b. amnesty days not be provided;
 - c. cash or cheques not be used for rebates except in special circumstances such as the purchase and sale of a home, in which case, Revenue Services, at its discretion, could consider issuing a cheque;
 - d. curb-recycling re-use days not be implemented in Toronto;
 - e. the allowance for free bags not be increased beyond its current limit of “up to four”;
 - f. the smallest and second smallest bins not be offered at the same price;
 - g. the solid waste rate structure program not include provisions to cancel or defer rate increases for seniors or low-income residents; and
 - h. the rebate not be revised to match the cost of the second smallest bin.

FINANCIAL IMPACT

The financial implications of the volume based rate structure are described in Amended Report EX9.1.

Recommendation 1, which reduces the annual fee for the smallest bin and increases the annual fee for the three other sizes of bins, is revenue neutral.

Recommendation 2, to waive the exchange fee to downsize to a smaller waste bin and to reduce the bin exchange fee for the first three months following bin delivery, will result in lost revenues, which will be made up by increasing the annual fee for the three largest residential waste bins sizes. While it is difficult to accurately predict what this cost would be, it is estimated to be in the order of \$500,000 per year.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of June 19, 20 and 22, 2007, City Council adopted the recommendations in Executive Committee report EX9.1 entitled “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”, as amended. The report and the Council decision document can be viewed at:

- report:
<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-3799.pdf>
- decision document (relevant pages 2 through 10):
<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-06-19-cc10-dd.pdf>

ISSUE BACKGROUND

Amended Report EX9.1 indicated that the fees collected from residential customers would depend on the volume of waste they generated, the greater the volume of waste, the greater the fee. It also indicated that residential customers would be encouraged to self-regulate how much waste they set out and that additional opportunities to divert waste would be made available.

Residential customers receiving curb side collection (typically single unit residential and some town homes) would be given a choice of four bin sizes for garbage. Amended Report EX9.1 indicated that \$131 million of the \$237.5 million would come from this group.

Residential customers receiving bulk collection (typically multi unit residential) would set out multiple bulk bins to suit their needs. Amended Report EX9.1 indicated that \$106.5 million of the \$237.5 million would come from this group.

This report addresses the policy elements of the motions listed below. The specific financial elements of these motions will be considered with the Solid Waste Management Services’ 2008 Operating Budget submission in early 2008. Any motions in Amended Report EX9.1 that required further reporting and that are not dealt with below will be reported on at a later date.

COMMENTS

The recommendations and motions in Amended Report EX9.1 are categorized, and discussed, in the following order:

- A. motions that affect the overall cost and revenue requirements (for example, using the rate structure to pay for recycling and composting in parks would increase the overall cost);
- B. motions that affect the relative cost of the various bins (for example, lowering the fee for the smallest bin would necessitate an increase in the fees for the three largest bins); and
- C. motions that are transactional in nature (for example, bringing forward a billing by-law that sets out billing frequencies, due dates, etc.).

A) Motions that affect the overall cost and revenue requirements

Amended Report EX9.1 indicated that the residential rate structure would be designed to generate a total of \$237.5 million annually beginning in 2008 (prorated for a partial year in 2008) and increased at a rate of 3.5% per year thereafter. The amount was based on the cost of current solid waste management services plus the cost of the new initiatives described in the report. The following motions from Amended Report EX9.1, if implemented, would impact the overall revenue requirements of SWMS:

Motion (29b) of Amended Report EX9.1: “report on potential of using the new levy for recycling and composting in Toronto parks”:

The cost of recycling and composting in parks is currently included in the Parks, Forestry and Recreation budget. Since Toronto’s parks are used not only by residents, but also by commuting workers and visitors, it is more appropriate that this service be funded by the broad tax base and not solely by residents through the new residential waste levy. The cost was therefore not included in the levy calculations in report EX9.1.

Motion (36) of Amended Report EX9.1: “that there be no charge to downsize to a smaller waste container”; and

Motion (47) (Davis) of Amended Report EX9.1: “report on the feasibility of waiving the cost for exchanging waste carts for a limited time after the introduction of the new carts”:

Under the new bin program, residents will be allowed to request a different sized bin if they find they’ve chosen the wrong size or if their waste volume changes over time. The City’s contract with its bin supplier requires the supplier to exchange bins upon request, at a cost of approximately \$20 per exchange plus annual CPI adjustments.

Report EX9.1 recommended that all bin exchange costs be passed on to the resident/owner requesting the change. The levy, therefore, did not include the cost of this exemption. If some exchange costs are not passed on to the resident/owner making the request, they will have to be added to the general levy rate and shared by all residents.

Motion 47 (Davis) asked staff to report on the feasibility of waiving the exchange fees for waste containers for a limited time after delivery. Since waiving the fee entirely could lead to abuse of the exchange option, staff recommends reducing the exchange fee to 50% of the normal charge for a three month period following bin delivery.

In addition, staff recommends that residents use their bins for a minimum of two months before requesting an exchange to help them choose the size that is appropriate for them on an ongoing basis.

Bin exchange fees will be brought forward for approval through the Operating Budget process in early 2008.

Motion (39) of Amended Report EX9.1: “report on the financial impact on the proposed solid waste rate, of providing three amnesty days per year”:

One of the main principles of the solid waste rate is that residents will be charged a fee based on the volume of waste they set out to encourage diversion. Amnesty days would undermine that principle. As discussed in the response to motion 47 (Del Grande) below, residents will be provided with up to four free bag tags for occasional times when they have excess waste in the first year of the program. There are also a number of new and existing diversion programs that will allow residents to dispose of recyclable material on an ongoing basis, without the need for amnesty days. Large items such as tables, sofas and mattresses and durable goods such as televisions and electronics will be included in the free durable goods program. Blue Bin recycling, Green Bin organics, leaf & yard waste, and white good collection will remain free.

Motion (40) of Amended Report EX9.1: “report on delivering a cheque to residents instead of using deductions on the water bill, and that in doing the analysis, staff separate multi-residential from single family residences”:

To disburse rebate cheques to each applicable single and multi-residential customer instead of applying the solid waste rebate (from tax) against the new volume based solid waste charge, the City would incur additional annual operating costs of approximately \$10.0 million. (Approximately: 500,000 multi-residential and residential accounts for which an operational processing cost of \$20.00 per cheque would apply, assuming one cheque per household per year.)

Additionally, by issuing cheques staff would have to address changes in ownership, returned mail, stale-dated items and possible fraud wherein a rebate cheque was not cashed by the entitled customer, therein impacting the end customer. By applying the applicable rebate amount(s) to the volume based utility bill, it provides greater controls to ensure the entitled customer is the recipient of the appropriate solid waste rebate amount. As such, the issuance or rebate cheques is not recommended.

Motion (44) of Amended Report EX9.1: “report on the possibility of implementing “Curb-Recycling Re-Use Days” where people are encouraged to put re-usable materials at curb side for free pick-up, similar to the model currently used in Burlington”:

Residents in Halton Region, which includes Burlington, Halton Hills, Milton and Oakville, are responsible for the transport and disposal of their bulky items, including furniture, wood, windows and mirrors, and flooring to the Halton Waste Management Site and are charged landfill fees accordingly. Toronto provides this service at curb side.

Halton offers one annual Bulky Item Collection to residents on an amnesty basis for each zone in the region. The date is advertised online and in the collection calendar. As collection falls on a Saturday, residents are encouraged to place their bulky items at curbside as early as the Wednesday before their scheduled collection, so others can take items they consider reusable.

Currently, SWMS offers bulky collection to residents at no charge. The approaching delivery of garbage and recycling bins to single-family homes and the development of our Reuse Centres offers us an opportunity to reclassify most bulky waste items as recycling. These items will be collected separately, at no charge to the resident, and diverted to emerging reuse and recycling markets.

Offering an official Curbside Reuse Day creates several operational challenges. The amount of material (even after being picked over by other residents) would overwhelm our collection crews and vehicles and regular waste collection would be compromised. Crews would not be able to promptly pick up the items left at curb side following the Curbside Reuse Day, which would contribute to unattractive neighbourhood streetscapes.

There is also concern that high-volume scrap metal and furniture dealers would gather the best and most valuable items placed at curbside. This would be in direct competition with one of the main component of the Reuse strategy, which focuses on supporting charities in their current operations. It is our belief that the charities would not benefit from the onset of this practice as the best reusable items would be taken quickly. Additionally, some items left at curbside contain marketable materials, and a City-wide Reuse Day would compromise potential revenue streams obtainable from those products. As such, staff does not recommend Curb Side Reuse Days.

Motion (47) (Del Grande) of Amended Report EX9.1: “report on...the maximum single bag allowance for the year be increased to 12 bags”:

One of the main principles of the program is that residents will be charged a fee based on the volume of waste they set out to encourage diversion. Providing too many free bags would undermine that principle. Along with this, providing free bags would reduce the efficiency of the new automated collection system. For this reason, SWMS wants to discourage the use of bags and reduce or phase out the number of free bags over time. As such, staff does not recommend increasing the number of free bags beyond the current limit of up to four.

Motion (47) (Palacio 2) of Amended Report EX9.1: “report on ... the proposed grant program and subsequent billing system include a provision for seniors and low-income residents, similar to the City’s property tax increase cancellation program and property tax increase deferral program”:

Most seniors and low-income residents who fully utilize the City’s diversion programs will be able to use the smallest waste bin, for which there is no additional charge. A fee increase cancellation or deferral program would therefore add a considerable administrative cost without a significant benefit. As such staff does not recommend such a program. The City has a number of programs to assist low-income seniors and others.

B) Motions that affect the distribution of fees amongst bin sizes

Amended Report EX9.1 indicated that the amount residents pay would be based on the size of bin they chose. The rate structure set out in Appendix B of Amended Report EX9.1 is based on the principles that the total fees must cover the net cost of providing waste management services and the fee for the smallest bin is to be no more than the 2007 average net cost of waste management services (i.e., \$209 for Single and \$157 for Multi-Unit Residential).

The following motions from Amended Report EX9.1, if implemented, would impact the rate structure (i.e., the difference between the fee for the smallest bin and the fees for the larger bins):

Motion (4) of Amended Report EX9.1: “adjust the Rate Structure to decrease the cost of the two smaller bins in a revenue-neutral way, making the 75 litre bin less than \$209.00, as an incentive for avid recyclers to actually save money under this proposal”:

Staff will lower the fee for the smallest waste bin as directed but recommend offsetting this by increasing the fees for all three other sizes of bins so that, overall, the total fees remain the same. The recommended fee for each bin size will be brought forward for approval during the 2008 Operating Budget process.

Motion (47) (Minnan-Wong) of Amended Report EX9.1: "report on ... the item be amended to provide that the smallest and second smallest bin be offered at the same price:

One of the main principles of the program is that residents will be charged a fee based on the volume of waste they set out to encourage diversion. Offering the two smallest carts at the same price would undermine that principle since there would no longer be an incentive for people to recycle enough to get smallest waste bin. As such, staff does not recommend this approach.

Motion (47)(Perruzza 1) of Amended Report EX9.1: "report on ...the rate structure for single-unit residential customers be revised so that the rebate is equivalent to the cost of the 120 litre cart (i.e., \$250 per year) and that the credit be applied to the combined water/solid waste bill"; and

Motion (47)(Perruzza 2) of Amended Report EX9.1: "report on ...the rate structure for multi-unit residential customers be revised so that the rebate is equivalent to the cost of 1 bag per unit (i.e., \$188 per year) and that the credit be applied to the combined water/solid waste bill":

The two smallest bin sizes could account for up to half of the total bins. If the rebate is equal to the fee for the second smallest bin, up to half of the bins would not be generating revenue to pay for new diversion initiatives. That would mean either substantial increases to the fees for the two largest bins or delaying many of the proposed diversion initiatives. As such, staff does not recommend this approach.

C) Motions that are transactional in nature

The following recommendations and motions from Amended Report EX9.1 are transactional in nature:

Recommendation (6) of Amended Report EX9.1: "the Province of Ontario be requested to make the following short and long-term legislative and/or regulatory changes:

- a. short term: to establish priority lien status for solid waste management service fees; and
- b. long term: to allow property tax reductions or credits as deemed appropriate by City Council, despite the existence of any legislation or regulation, where the City is providing a service that is currently funded through taxes and subsequently passes a by-law establishing a user fee system to fund that service":

A letter has been sent to the province requesting these two changes. Our understanding from meetings and discussions with Ministry of Municipal Affairs and Housing staff is that a regulation to establish priority lien status, which will provide the City with the ability to transfer outstanding amounts to the property tax bill, is relatively straight forward and is, in fact, being prepared. However, that legislation to allow property tax reductions “as deemed appropriate by council” presents somewhat of a challenge. The existing regulation/legislation requires taxes to be reduced in proportion to ratios in which the taxes were collected, meaning any reduction would have to include a business tax reduction and that higher valued residential properties would get a greater tax reduction. Staff continues to seek the requested legislative changes.

Recommendation (10) of Amended Report EX9.1: “bring forward through the 2008 budget process a billing bylaw that sets out necessary billing matters, including billing frequencies, due dates, adjustments and penalties for late payments”:

Staff will bring a billing by-law based on the following parameters to the appropriate standing committee:

- the by-law will create a consolidated “utility bill” for water and solid waste;
- the billing system will integrate the volume based solid waste rate structure into the water billing system. The system will support the production, account adjustment(s), bin selection changes, and collection of approximately 500,000 combined water/solid waste utility bills within the same billing frequencies, due dates and payment program options available in the existing Water program;
- any billing adjustments due to bin changes, service fees and/or ownership changes will be reflected on the ratepayer’s next bill;
- the rebate amount from the existing tax component will be represented as a credit within the solid waste component of the new utility bill. The credit amount will be prorated based on the existing billing cycle to reflect a full year rebate amount;
- the multi-unit residential volume based solid waste rate structure will commence on or about July 1, 2008 and the single family residential curb-side volume rate structure will commence on or about November 1, 2008;
- pending Provincial regulation, any outstanding solid waste fees will be transferred to the owner’s property tax account 58 days from the billed date, wherein interest will be applied at the rate of 1.25% monthly.

Recommendation (13) of Amended Report EX9.1: “report through the 2008 budget process on the final commencement date, the volume based rates and the grant amounts for 2008”:

Staff is working toward a July 1, 2008 commencement date for residential bulk collection customers (i.e., multi-unit residential buildings including town homes currently receiving bulk waste collection) and a November 1, 2008 commencement date for residential curb side collection customers (i.e., single family residential buildings including town homes and small multi-unit dwellings currently receiving curb side collection).

Motion (27) of Amended Report EX9.1: “report on the requirement of a privacy impact assessment of the data management component of the bin programme”:

Under the Municipal Freedom of Information and Protection of Privacy Act, the City of Toronto is under legal obligation to protect any personal information in its custody and to control access, retention or disclosure of that information. It is of great value to the City to perform some precautionary measures like a Privacy Impact Assessment (PIA) before implementing any program in which personal information is involved in the process. As a risk management tool, a PIA is used to identify and analyze potential privacy risks in any proposal or project that involves collection, use, disclosure or retention of personal information.

Staff in SWMS and the City’s Corporate Access and Privacy (CAP) Office worked together on a Privacy Impact Assessment for the roll out of the new bins. The findings of this PIA are that the privacy risks in this project are low and can be managed by implementing the recommendations identified in the PIA.

Staff will continue to work with the CAP office and the bin vendor to implement the recommendations of the PIA.

Motion (34) of Amended Report EX9.1: ”in conjunction with the Director of Strategic Communications, report on a communications strategy for the roll-out of the program, particularly addressing the need for a hot line in conjunction with 3-1-1”:

Public education and communications are extremely important to effectively implement all new diversion programs. This is especially true in this instance, where the new initiatives, in the form of a volume based rate structure, are unlike anything that the City has previously undertaken. By introducing new bins and the associated fees, the City is asking residents to make a permanent change to their waste management behaviour and to equally share the responsibility of managing their own waste. Communication strategies and tactics will be refined according to the different audience demographics existing among home owners, and multi-unit tenants and their respective property owner/managers.

The communications will first answer the following questions: What are we asking residents to do? Why is the change necessary? What are the benefits? How can residents successfully transition to the new required behaviour? What tools and services will the City provide? The Blue Bin roll-out strategy will employ such tactics as targeted advertising, dedicated website and information telephone line, addressed letter mail, media relations, community and multi-lingual outreach, local mall displays hosted by staff and Toronto Environmental Volunteers, Councillor briefings/updates (including samples of prepared communication pieces). When the new Garbage Bins and their associated volume based rate structure are launched, the following additional tactics will be used: posters in libraries/community centres, mobile signs, collection truck signage and when requested, Councillor-hosted community information meetings.

Staff in Solid Waste Management Services (SWMS) and Policy, Planning, Finance & Administration (PPFA) Customer Service worked together to introduce a dedicated phone number for City of Toronto resident's to call for all program related inquiries (416-392-BINS). The calls to this dedicated line are answered by customer service staff trained on all aspects of the program and the phased in launch of the city-wide roll out.

As the City prepares for the launch of 3-1-1, staff in Solid Waste Management Services completed a business process review in the fall of 2006 in collaboration with the 3-1-1 Project Management Office. As a result of the Getting to 70% program initiatives, there will be considerable changes to the way we conduct our business. Therefore, staff in SWMS have been in contact with the 3-1-1 Project Management Office and will be continually reviewing and updating all SWMS divisional information currently on file with 3-1-1 to ensure they have the most up to date information as they prepare for the 3-1-1 launch.

Motion (29a) of Amended Report EX9.1: “report on measures to curb illegal dumping in parks and other public areas related to the proposed new system”:

Staff will submit a separate report describing measures to curb illegal dumping.

Motion (47) (Palacio 4) of Amended Report EX9.1: “report on...residents be given the option of a cash rebate or credit to their tax account”:

The City’s financial controls preclude providing cash rebates to residents. As such, staff does not recommend this approach.

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