

Solid Waste Management Services 2008 Operating Budget Adjustment

Date:	October 21, 2008
To:	Budget Committee
From:	Acting Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\FP\Bc08017Fp (AFS #7499)

SUMMARY

This report recommends budget adjustments to the Solid Waste Management Services and Non Program 2008 Operating Budgets to reflect the 2008 phased implementation of the transition to a user fee supported budget and the introduction of a of property tax rebate program dedicated to Solid Waste Management.

RECOMMENDATIONS

The Acting Deputy City Manager and Chief Financial Officer recommends that:

1. the 2008 Solid Waste Management Approved Operating Budget be decreased by \$58.079 million (net) to account for the receipt of user fee revenue from the roll-out of the new bins for multi-residential and single-family residential effective July 1, 2008 and November 2008, respectively; and
2. the 2008 Non Program Approved Operating Budget be increased by \$58.079 million (gross and net) to fund a new tax rebate program for households to refund that portion of property taxes paid for Solid Waste Management Services.

Financial Impact

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 2008 Approved Budget does not include the fees or rebate amounts pending the roll out of bins and subsequent rebate of taxes to taxpayers that began in July 2008.

This report recommends that the budget for Solid Waste Management Services be reduced by \$58.1 million to account for the replacement of tax funding with user fee revenue to be generated with the roll-out of the new bins that was completed for multi-residential units in July and is near completion for the single-family residential households in November, 2008.

Also, the Non Program Operating Budget will increase to fund the establishment of a tax rebate program for the portion of property taxes previously paid for Solid Waste Management Services rebates equivalent to the proportion of their property taxes dedicated to Solid Waste Management, as reflected in the following table:

	2008					
	Solid Waste Management			Non-Program Rebate		
	Gross	Revenue	Net	Gross	Program Revenue	Net
Base Operating Budget	256,379.6	74,221.5	182,158.1			
Sub-total Base User Fee Revenue		58,079.1	(58,079.1)	58,079.1		58,079.1
Total Recommended Base Budget	256,379.6	132,300.6	124,079.0			
New Enhanced Services	20,349.0	20,349.0	-			
Total Recommended Budget	276,728.6	152,649.6	124,079.0	58,079.1		58,079.1

The reduction in the Solid Waste Management Services 2008 Operating Budget is the first phase to remove Solid Waste Management Services from the property tax base. In 2009, user fee revenue will virtually fully fund Solid Waste Management operations, capital work and new initiatives to achieve the 70% waste diversion goal.

DECISION HISTORY

At its meeting of March 31, 2008, City Council adopted the recommendations in Executive Committee report EX18.1 entitled “2008 Budget Committee Recommended Operating Budget”, as amended. The report described the 2008 solid waste fees. The report and the council decision document can be viewed at:

- report
<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-11479.pdf>
- decision document (relevant pages 11 and 12)
<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-03-31-cc18-dd.pdf>

It was recommended that the Deputy City Manager and Chief Financial Officer report back to Budget Committee in-year on the appropriate adjustments to the 2008 Recommended Operating Budget to reflect the 2008 phased implementation to a user fee supported budget which includes a tax rebate program once the volume-based user fee structure has been implemented;

COMMENTS

Starting in 2008, Solid Waste Management Services is transitioning from being funded by property taxes to being funded by new user fee revenue. The 2008 Approved Operating budget is to be adjusted in-year to reflect the phased implementation to a user fee supported budget as well as the establishment of a rebate program to households. The implementation phased is as follows: Volume based fees for multi-residential Solid Waste Management Services starting July 1, 2008; while user fees for single family-residential Management Services will be implemented starting November 1, 2008.

The new solid waste user fees are based on the volume of residual waste that property owners produce for curbside collection. Beginning in mid-2008, property owners will be required to pay an annual fee for one of three selected waste containers provided by the City. The objectives is to encourage recycling and composting and ultimately increase waste diversion rates and decrease the volume of residual waste actually sent to landfills as a result of users paying based on the volume of residential waste produced.

It is projected that the new volume-based rate structure will generate \$75.417 million in revenue for 2008. This revenue consists of \$53.250 million generated from multi-unit residential customers for the six month period from July 1 to December 31 and \$22.167 million generated from single family residential customers for the two month period from November 1 to December 31, 2008. Of the \$75.417 million collected, \$17.667 million will be used to fund new waste diversion initiatives in 2008. This amount includes the cost of repayment of debt for Solid Waste Management capital projects as well as a contribution to the Waste Management Reserve Fund for Capital and stabilization. It is recommended that the Solid Waste Management Services Approved 2008 Operating Budget be reduced by \$58.1 million (net) to replace tax funding with user fee revenue generated by the roll-out of the new bins that is near completion.

While user fees will be collected as property owners pay annual fees for their garbage, the basis of residential revenue bin fees, the portion of property taxes 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. All residents 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 will be funded in Non-Program Expenditure Budget by reallocating this 2008 tax funding from Solid Waste Management Services that will now be replaced with user fees revenue. As a result a budget adjustment to the 2008 Approved Non Program Expenditure Operating Budget is required to establish the part year program for 2008.

In 2009, additional tax funding will be reallocating from Solid Waste Management Services to fund the annualized cost of the rebates program. This will have no net impact since Solid Waste Management Services 2009 Operating Budget will be fully funded from other revenue sources, reflecting the full implementation of the volume-based rate budget model for Solid Waste Management Services

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SIGNATURE

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