

# Analyst Briefing Notes

## Budget Committee

(October 17, 2008)

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October 28, 2008

**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2008 Approved Capital Budget of \$86.537 million was 30% spent as at June 30, 2008. Expenditures by year-end are projected to be \$83.743 million, or 97% of the 2008 Approved Capital Budget. The \$2.794 million of unspent 2008 funding will be carried forward into 2009 to complete 2008 capital work. The projected under expenditures are primarily attributed to delays in the Transfer Station Asset Management (delays in permit and procurement) and Landfill Development projects (delays in installation gas installation of gas wells).
- The 2009 Recommended Capital Budget; 2010 to 2013 Capital Plan and 2014 to 2018 Forecast total \$562.273 million of which \$441.116 million is for the Program's 5-Year Capital Plan. The 5-Year Capital Plan, excluding carry forward funding of \$2.619 million, will be funded by:
  - \$303.047 million is user rate recoverable debt, fully recovered from the new Solid Waste user rates to be implemented starting July 1, 2008 and November 1, 2008;
  - \$44.094 million in funding from the Perpetual Care of Landfill Reserve Fund.
  - \$93.975 million in potential external funding.
- The 5-Year Recommended Capital Plan includes changes required to the 2008 to 2012 Capital Plan to achieve a 70% Diversion target, as was reported to Council at its meeting of June 19, 20 and 22, 2007. The 2009 to 2013 Recommended Capital Plan incorporates the additional projects (including Mixed Waste Facility, Dufferin Disco SSO Processing Facilities, Reuse Centre and Replacement SSO Containers projects) required to achieve this 70% diversion goal, and accelerates some of the diversion projects with expenditures peaking in 2011;
- The 5-Year Recommended Capital Plan (including 2009 commitments) requires cash flows of \$59.074 million in 2009, \$101.814 million in 2010, \$170.901 million in 2011, \$85.112 million in 2012; and \$26.834 million in 2013;
  - The 2009 Recommended Capital Budget includes previously approved sub-projects with a 2009 cash flow of \$18.879 million and future year commitments of \$12.364 million in 2010, \$2.089 million in 2011 and \$0.500 million in 2012. The majority of this recommended funding is provided for the Dufferin-Disco SSO Processing Facility (\$23.280 million) and Green Lane Landfill Development/Buffer Land Acquisition (\$8.539 million). 8 previously approved sub-projects are also funded mainly to continue work on Collection Yard Asset Management and Transfer Station Management.

- The recommended new cash flow funding for 2009 to 2013 of \$116.121 million are allocated to Diversion Facilities projects (\$91.360 million), ongoing maintenance of Perpetual Care of Landfills (\$8.201 million), continue Transfer Station Asset Management (\$8.120 million), the Collection Yard Asset Management (\$3.159 million) and the Development of the Green Lane Landfill (\$5.281 million).
- The 5-Year Capital Plan moves forward the goal of 70% Diversion by the year 2010 by investing in facilities and infrastructure necessary to achieve this target. Included are specific initiatives to address waste diversion and recycling such as:
  - Expanding the Green Bin program to include apartments & condominiums as well as building additional Source Separated Organics processing capacity that will allow for expansion, and provide long term stability for the Green Bin program.
  - Expanding the range of recyclable materials. Establishing reusable goods drop-off centres to provide residents with one-stop location for re-usable goods.
- The 5-Year Capital Plan provides funding for 5 major projects that advances the strategic direction of the Solid Waste Management Services Multi-Year Business Plan as approved by Council in July 2005 and the Mayor's objective to achieve 70% diversion target:
  - Diversion Facilities (to meet 70% Diversion Target): ongoing design and construction of Dufferin-Disco Source Separated Organics (SSO) Processing Facilities, reuse centres, new replacement SSO containers, SSO and recycling multi-unit residential containers, yard waste composting and mixed waste processing facilities.
  - Perpetual Care of Landfills: ongoing maintenance of closed environmentally sound landfill sites after primary operations have ended. Includes the old landfills under the jurisdiction of the former area municipalities.
  - Transfer Stations Asset Management: ongoing operational improvements that are required to meet safety, health, operational and environmental requirements such as the Gas Handling Act and Ministry of Environment (MOE) standards.
  - Collection Yard Asset Management: ongoing renovation and retrofit to Collection Yards.
  - Landfill Development: ongoing development and operational improvements operation of the new landfill. These include cell development, landfill gas control system, site services/ final cover/ storm control, and other remediation costs as well as buffer land acquisition.
- The 2009 Recommended Capital Budget of \$56.455 million provides funds for: Service Improvement projects (49%), Legislated projects (29%) and to State-of-Good-Repair projects (22%):
  - State of Good Repair projects include the new Asset Management capital work consisting of projects for Transfer Stations and Collection Yards funded in the amounts of \$7.133

million and \$5.084 million, respectively. The Program does not have a backlog of State of Good Repair projects.

- Legislated projects include the on-going development and perpetual care of landfills at a cost of \$16.548 million. These projects are funded through Perpetual Care of Landfill Reserve Funds (\$8.201million) and recoverable debt (\$8.347million).
- Service Improvement projects include the Diversion facilities and equipment that support the 70% diversion target at a cost of \$27.690 million in 2009.
- perating impacts total \$8.907 million over the 2009-2013 timeframe and resulting in on-going costs of \$3.148 million for Dufferin-Disco SSO Processing Facility, \$5.4 million for the Reuse Centre and a reduction of \$3.381 million for the additional Single Stream Processing Capacity facility.

**Recommendations**

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Capital Budget for Solid Waste Management Services with a total project cost of \$116.121 million and a 2009 cash flow of \$59.074 million and future year commitments of \$93.673 million be approved. The 2009 Recommended Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - (i) 19 new sub-projects with a 2009 total project cost of \$116.121 million that requires cash flow of \$37.401 million in 2009 and future year commitments of \$36.250 million in 2010, \$35.770 million in 2011 and \$6.700 million in 2012;
    - (ii) 8 previously approved sub-projects with a 2009 cash flow of \$18.879 million and future year commitments of \$12.364 million in 2010, \$2.089 million in 2011 and \$0.500 million in 2012; and
    - (iii) 1 previously approved sub-project with carry forward funding from 2007 requiring 2009 cash flow of \$0.175 million, that requires Council to reaffirm its commitment; and
  - b) 2008 approved cash flow for 4 previously approved sub-projects with carry forward funding from 2008 into 2009 totalling \$2.619 million;
2. Council approve the operating impacts of \$8.908 million in 2009 to 2013 that emanate from the approval of the 2009 Recommended Capital Budget be considered within the overall scope of Solid Waste Management Services' 2009 Operating Budget and future year operating budgets;
3. Council approve that all sub-projects with potential private vendor capitalization be approved conditionally, subject to the receipt of such funding during 2010 and if such financing is not forthcoming, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs;
4. Council approve the 2010-2013 Capital Plan for Solid Waste Management Services totalling \$290.988 million in project estimates, comprised of \$53.200 million in 2010, \$133.042 million in 2011, \$77.912 million in 2012, and \$26.834 million in 2013;
5. Council approve in principle the 2014-2018 Capital Forecast for Solid Waste Management Services totalling \$121.157 million in project estimates, comprised of \$22.964 million in 2014, \$23.005 million in 2015, \$23.217 million in 2016, \$23.642 million in 2017; and that this forecast be used as a foundation for preparing a 2010 to 2019 Capital Plan and Forecast as part of the 2010 budget process;
6. The General Manager of Solid Waste Management Services report to the Public Works and Infrastructure Committee by June 2009, on the strategies to deliver the aggressive 5-Year Capital Plan, addressing the implementation challenges with the with respect to timelines, site

locations, environmental assessments, and readiness to proceed for facilities related projects;  
and,

7. this report be considered concurrently with the Recommended 2009 Residential Solid Waste Rates Report (October 2008), from the Acting Deputy City Manager and Chief Financial Officer and General Manager for Solid Waste Management Services.

2008 Capital Variance Review

2008 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2008 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End *		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
86,537	25,574	29.6%	83,743	97%	2,794

Comments / Issues:

Capital expenditures for the period ended June 30, 2008 totalled \$25.574 million or 30% of Solid Waste Managements' 2008 Approved Capital Budget of \$86.537 million. Solid Waste Management Services is projecting to be 97% spent by year-end. All \$2.794 million in under-expenditures will be carried forward into 2009 as follows:

Project	2008 Under-Spending
Diversion Facilities: New Emerging Tech., Recy. & SSO Facility.	250
Residential Collection: Routing Application	175
Green Lane Landfill: Development 2008	600
Perpetual Care Of Landfills: Thackery	490
Transfer Station Asset Mgmt: Dufferin T.S.	779
Transfer Station Asset Mgmt: Bermondsey T.S.	500
Total Under-Spending to be carried forward to 2009	2,794

Spending as of June is mainly attributed to the following projects:

- ♦ The *Diversion Facilities* project was 37% or \$22.6 million spent out of a total 2008 approved cash flow of \$61.3 million mainly for the roll-out of single household recycling carts. As of June, spending has been increased for the Residual Waste Study for Mixed Waste Processing Facilities with 2% or \$7,219 spent. Various other projects such as the Dufferin-Disco SSO Processing Capacity, Single Household Residual Waste Containers projects have begun as of June 30<sup>th</sup>. The curbside Collection of Durable Goods, SSO Multi-Unit Residential Containers and Recycling Upgrades for Multi-Units projects will be started in the second half of the year. The Diversion Facilities is presently forecasted to be 99 % spent at year-end.
- ♦ The *Perpetual Care of Landfill* project was 26% or \$1.9 million spent out of a total 2008 approved cash flow of \$7.4 million on miscellaneous material, parts and professional services such as legal, engineering and well drilling mainly at the Keele Valley Landfill site. Proposed construction of a perimeter leachate system at Thackery Landfill will be delayed to 2009 due to

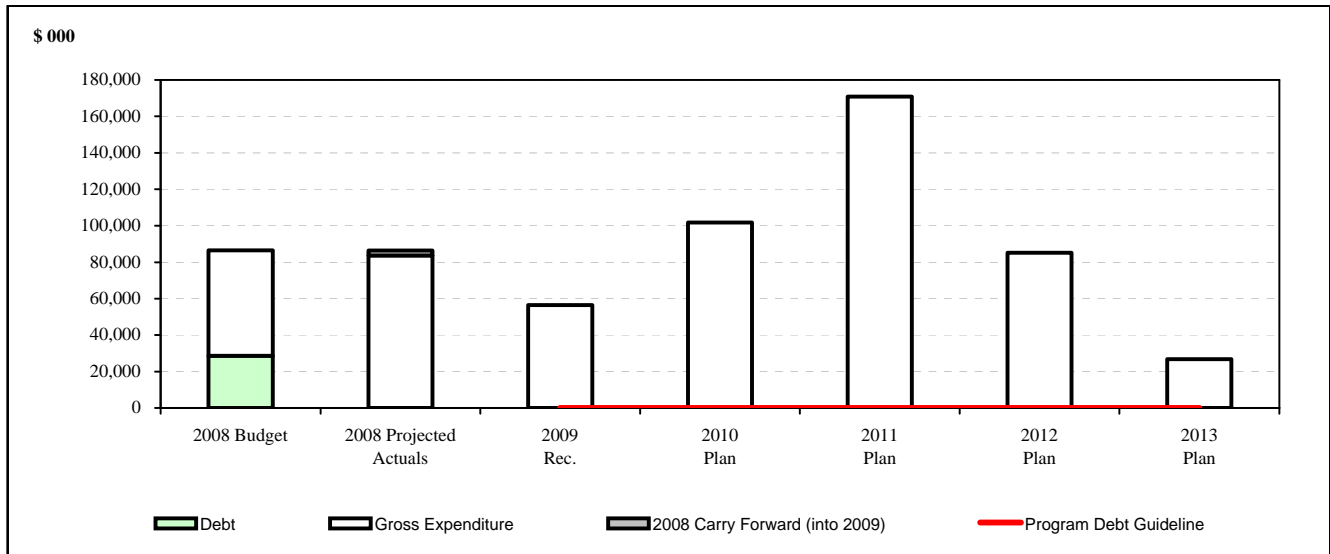
design issues. Funding for the Perpetual Care projects is presently forecasted to be 93 % spent at year-end.

- ◆ The *Transfer Station Asset Management* project was 10% or \$0.563 million spent out of a total 2008 approved cash flow of \$5.7 million mainly on building amenities and upgrades as well as expenditures for the weigh scales system. Outstanding work on facilities such as the Dufferin and Bermondsey Transfer Stations will likely be occurring in the latter part of 2008 and early 2009 due to permit and procurement delays. Transfer Station projects are projected to be 78 % spent by year-end.
- ◆ The *Landfill Development* project was 0.5% or \$0.034 million spent out of a 2008 approved cash flow of \$6.218 million. Funding for the Green Lane projects are presently forecasted to be 90% spent at year-end.
  - The *Landfill Gas Control System* project is projected to be 83% or \$3.0 million spent out of a total 2008 approved cash flow of \$3.6 million in 2008 due to delayed installation of additional gas wells and \$0.6 million will be carried forward to 2009.
  - The *Buffer Land Acquisition* project had no spending as of June. Acquisitions for \$2.650 million are presently in process and are projected to be 100% spent by year end.

Roll-Out of Bins - The Solid Waste volume-based rate structure for multi-unit residential buildings was implemented as scheduled on July 1, 2008. Joint water and waste bills will be issued to multi-unit buildings starting mid-October for a 2-3 month period. The rate structure for single-unit homes will be initiated on November 1, 2008 as scheduled. Some homeowners will receive their waste bins after November 1, 2008, but a temporary alternate rate system based on "pink tags" has been arranged which ensures that there is no impact on expected 2008 or 2009 revenue from the new SWM rate structure.

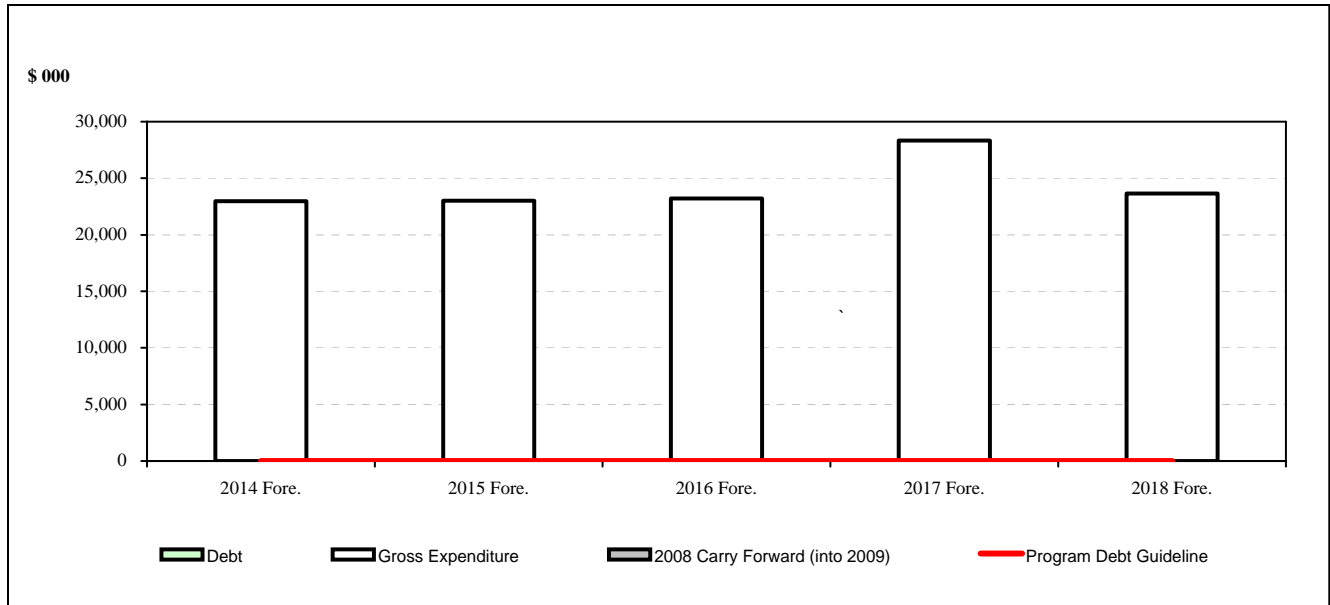
It should be noted that in the 3<sup>rd</sup> quarter, an unanticipated expenditure for Provincial Land Transfer Taxes on the Green Lane purchase of \$3.66 million including \$0.250 million to retain outside legal counsel was required. The Provincial Land Transfer Taxes charge by the Province will be appealed with funding returned to the reserve upon successful appeal. Solid Waste Management staff will report separately to Budget Committee on the expenditure and required actions. The report recommends that the expenditure be funded from the Waste Management Reserve Fund bringing the total spending in 2008 for Green Lane capital to \$9.275 million. The \$83.743 million projected year-end actual expenditures as of June 30<sup>th</sup> do not include the land transfer tax costs of \$3.66 million.

5-Year Capital Plan (2009-2013)



	2008		5-Year Capital Plan					2009-2013	5-Year Total Percent
	Budget	Projected Actual	2009	2010	2011	2012	2013		
<b>Gross Expenditures:</b>									
2008 Capital Budget & Future Year Commitments	86,537	83,743	24,479	6,164	1,089			31,732	
Recommended Changes to Commitments			(5,425)	6,200	1,000	500		2,275	
2009 New/Change in Scope and Future Year Commitments			37,401	36,250	35,770	6,700		116,121	
2010 - 2013 Capital Plan Estimates				53,200	133,042	77,912	26,834	290,988	
1-Year Carry Forward to 2009		2,619							
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>86,537</b>	<b>86,362</b>	<b>56,455</b>	<b>101,814</b>	<b>170,901</b>	<b>85,112</b>	<b>26,834</b>	<b>441,116</b>	
<b>Program Debt Target</b>									
<b>Financing:</b>									
Recommended Debt (2008 incl CFCs of 10.1M)	28,713								
Reserves/Reserve Funds	14,560		8,201	8,025	8,632	9,267	9,969	44,094	
Development Charges									
Federal									
Provincial									
Other External				17,700	49,875	24,250	2,150	93,975	
User Rate Recoverable Debt	43,264		48,254	76,089	112,394	51,595	14,715	303,047	
<b>Total Financing</b>	<b>86,537</b>		<b>56,455</b>	<b>101,814</b>	<b>170,901</b>	<b>85,112</b>	<b>26,834</b>	<b>441,116</b>	
<b>By Category:</b>									
Health & Safety									
Legislated	74,870		16,548	17,159	22,381	15,771	17,584	89,443	
SOGR	11,667		12,217	4,525	4,700	4,700	4,700	30,842	
Service Improvement			27,690	80,130	143,820	64,641	4,550	320,831	
Growth Related									
<b>Total By Category</b>	<b>86,537</b>		<b>56,455</b>	<b>101,814</b>	<b>170,901</b>	<b>85,112</b>	<b>26,834</b>	<b>441,116</b>	
Yearly SOGR Backlog Estimate (not addressed by current plan)									
Accumulated Backlog Estimate (end of year)									
Operating Impact on Program Costs			1,715	2,396	3,919	1,794	(917)	8,907	
Debt Service Costs									

5-Year Capital Forecast (2014-2018)



	5-Year Capital Forecast							10-Year Total Percent
	2014	2015	2016	2017	2018	2014-2018	2009-2018	
<b>Gross Expenditures:</b>								
2008 Capital Budget & Future Year Commitments							31,732	
Recommended Changes to Commitments							2,275	
2009 New/Change in Scope and Future Year Commitments							116,121	
2014 - 2018 Capital Forecast Estimates	22,964	23,005	23,217	28,329	23,642	121,157	412,145	
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>22,964</b>	<b>23,005</b>	<b>23,217</b>	<b>28,329</b>	<b>23,642</b>	<b>121,157</b>	<b>562,273</b>	
<b>Program Debt Target</b>								
<b>Financing:</b>								
Recommended Debt								
Reserves/Reserve Funds	10,637	10,466	10,466	10,466	10,467	52,502	96,596	17%
Development Charges								
Federal								
Provincial								
Other External							93,975	17%
User Rate Recoverable Debt	12,327	12,539	12,751	17,863	13,175	68,655	371,702	66%
<b>Total Financing</b>	<b>22,964</b>	<b>23,005</b>	<b>23,217</b>	<b>28,329</b>	<b>23,642</b>	<b>121,157</b>	<b>562,273</b>	<b>100%</b>
<b>By Category:</b>								
Health & Safety								
Legislated	18,014	18,055	18,267	23,379	18,692	96,407	185,850	33%
SOGR	4,700	4,700	4,700	4,700	4,700	23,500	54,342	10%
Service Improvement	250	250	250	250	250	1,250	322,081	57%
Growth Related								
<b>Total By Category</b>	<b>22,964</b>	<b>23,005</b>	<b>23,217</b>	<b>28,329</b>	<b>23,642</b>	<b>121,157</b>	<b>562,273</b>	<b>100%</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)								
Accumulated Backlog Estimate (end of year)								
Operating Impact on Program Costs	184		(30)			154	9,061	
Debt Service Costs								

## 10-Year Capital Plan and Forecast Overview

- The 2010 - 2013 Recommended Capital Plan and 2014 -2018 Capital Forecast for Solid Waste Management Services is not funded from debt but primarily from recoverable debt as well as reserve funds and potential third party funding. The Program relies on the user fee program to fund debt charges on an ongoing basis. The Solid Waste Management operating budget includes a contribution for the repayment of capital debt issued for this Program's Capital needs.
- The 2010 - 2013 Recommended Capital Plan and 2014 -2018 Capital Forecast is funded primarily from the recoverable debt which accounts for 66% or \$371.7 million of total cash flow funding of \$562.3 million. Reserve funds provide 17% or \$96.6 million. Solid Waste Management is exploring the possibility of partnering on the development of some of its 3 diversion facilities. The partnerships may result in realizing third party funding, currently estimated, *notionally*, at \$94 million as another source of financing.
- The 10-Year Capital Plan project funding is composed of \$185.9 million or 33% for Legislated projects, \$54.3 million or 10% for State of Good Repair (SOGR) projects, \$322.1 million or 57% for Service Improvement projects.
- Significant projects over the 10-Year Capital Plan by category are as follows:
  - Legislated is comprised of projects for landfill development and perpetual care for \$89.254 million and \$96.596 million respectively. Perpetual care costs are funded by reserve funds.
  - SOGR is composed of Asset Management projects for Transfer Stations and Collection Yards for \$44.758 million and \$9.584 million respectively.
  - Service Improvement comprises most of the Capital program and is composed of projects for Diversion Facilities including Mixed Waste Facilities for \$156.5 million, SSO Facilities for \$67.8 million, Additional Single Stream Processing Capacity for \$24.8 million, SSO containers for \$24.5 million, Reuse Centres for \$29.1 million and Replacement Leaf & Yard Waste Composting Facilities for \$8 million. Total funding of \$322.1 million has \$228.1 million from recoverable debt and \$94 million from private vendor capitalization.
- Funding sources includes 69% funded by recoverable debt, 10% funded by reserve funds, and 21% funded by private vendor capitalization in the 5-year Capital Plan (2009-2013). In the 5-Year Capital Forecast (2014-2018), these change to 57% recoverable debt and 43% reserve funds as the external funding is only for three projects in the 5-Year Capital Plan.
- The Program does not have a backlog of State of Good Repair projects.
- Operating Budget impacts over the 5-Year Capital Plan totalling \$8.9 million include total on-going costs of \$5.2million for Dufferin-Disco SSO Processing Facility, Additional Single Stream Processing Capacity and the Reuse Centre.
- The 5-Year Capital Plan moves forward the goal of 70% Diversion by the year 2010 by investing in facilities and infrastructure necessary to achieve this target. Included are specific initiatives to address waste diversion and recycling such as:

- Expanding the Green Bin program to include apartments & condominiums as well as building additional Source Separated Organics processing capacity that will allow for expansion, and provide long term stability for the Green Bin program.
- Expanding the range of recyclable materials. Establishing reusable goods drop-off centres to provide residents with one-stop location for re-usable goods.

### **Multi-Year Debt Affordability Targets**

In 2008, Solid Waste Management Services is transitioning to a volume based user fee program with multi-residential user fees being initiated in July 2008 and single-residential user fees in November 2008. Solid Waste Management Services Capital program will be supported by user fee revenue, reserve funds and private vendor capitalization. Debt issued for capital will be recovered from user fees through a contribution from the operating budget and multi-year debt affordability targets are not applicable.

### **Project Financing**

The 5-Year Recommended Capital Plan is funded primarily from recoverable debt which accounts for 69% or \$303.1 million of total cash flow funding of \$441.2 million. Reserve funds provide 10% or \$44.1 million for Perpetual Care expenditures of former landfill sites. Potential capital cost sharing with third parties for any of the new diversion facilities accounts for the remaining 21% or \$94 million.

Over the 10-year planning horizon, project financing remains relatively unchanged, with recoverable debt accounting for 66% or \$371.7 million of total cash flow funding of \$562.3 million. Other sources of funding include reserve funds accounting for 17% or \$96.6 million and third party funding accounting for 17% or \$94 million.

For 2009, there is no planned increase for Solid Waste user fees as recommended in the 2009 Residential Solid Waste Rates report (October 2008), from the Acting Deputy City Manager and Chief Financial Officer and the General Manager for Solid Waste Management Services. The recommended rates will fund Solid Waste Capital requirements into the future.

### **Development Charge Funded Projects**

The 2009 Recommended Capital Budget, 5-Year Capital Plan and 5-Year Capital Forecast for Solid Waste Management Services does not include any growth related projects and therefore does not have funding provided by development charges.

### **Backlog – State of Good Repair (SOGR) and Unmet Service Needs**

The program does not have any backlog of State of Good Repair projects or Unmet Service Needs.

### Program Capacity and Readiness to Proceed

The 2008 Approved Capital Budget of \$86.537 million was 30 % or \$25.574 million spent at June 30<sup>th</sup>, 2008. Year-end expenditures are projected to be \$83.743 million or 97% of the 2008 Approved Capital Budget. The 2008 projected spending rate by year-end represents a continued improvement over the Program's historic spending capacity. The last several years, with the exception of a decline in 2006, have shown an increase of capital spending, as shown in the following table.

<b>SWMS CAPITAL CAPACITY</b>				
<b>Year</b>	<b>Budget</b>	<b>Actual / Projected Actual</b>	<b>Variance</b>	<b>Spending Rate</b>
<b>2004</b>	53,599	36,412	17,187	68%
<b>2005</b>	35,987	25,574	10,413	71%
<b>2006</b>	26,811	8,414	18,397	31%
<b>2007</b>	266,298	237,127	29,171	89%
<b>2008</b>	86,537	83,743	2,794	97%
<b>Total</b>	<b>469,232</b>	<b>391,271</b>	<b>77,961</b>	<b>83%</b>
<b>5 Yr Average</b>	<b>93,846</b>	<b>78,254</b>	<b>15,592</b>	<b>83%</b>
<b>Last 3 years Avg</b>	<b>126,549</b>	<b>109,762</b>	<b>16,787</b>	<b>87%</b>

Individual projects have been reviewed for their readiness to proceed and the 5-Year Plan cash flow has been adjusted to account for capital needs and legislative requirements as well as the planning & procurement process. Delays in 2008 for landfill development, perpetual care and transfer station asset management require \$2.6 million in funding to be carried forward from 2008 into 2009.

**Changes to the 5-Year Capital Plan (2009-2013)**

The following table highlights the changes from the 2008-2012 Approved Capital Plan to the 2009-2013 Recommended Capital Plan.

**Recommended Changes to 2009-2013 Capital Plan**

Capital Projects	2009	2010	2011	2012	2013	2009 to 2013
<b>Gross Expenditures</b>						
1. Diversion Facilities	(21,004)	(25,439)	50,870	(3,059)	(3,950)	(2,582)
2. Collection Yard Asset Management	3,334		500	500	500	4,834
3. Transfer Station Asset Management	2,670	(175)				2,495
4. Green Lane Landfill	2,162	2,392	8,349	(404)	1,599	14,098
5. Perpetual Care of Landfills	456	(244)	(244)	(244)	(244)	(520)
<b>TOTAL Gross Expenditures</b>	(12,382)	(23,466)	59,475	(3,207)	(2,095)	18,325
Recoverable Debt	(12,838)	(10,922)	44,219	(2,713)	(1,401)	16,345
Reserve Fund	456	(244)	(244)	(244)	(244)	(520)
Private Sector Funding		(12,300)	15,500	(250)	(450)	2,500
<b>TOTAL Funding</b>	(12,382)	(23,466)	59,475	(3,207)	(2,095)	18,325

The year over year change in Diversion Facilities projects mainly represents planning delays for the Mixed Waste Facility as well as delays in timing for the anticipated replacement of organics collection containers for single and multi-residential customers. The cash flow has been adjusted to account for these delays with peak spending anticipated in 2010/2011 as facilities are completed and the procurement of replacement bins proceeds.

The change in the Green Lane project cash flows represents the addition for Buffer Land Acquisition (\$4.5 million) as approved by Council in 2008 as well as enhanced requirements for cell development and base construction.

**Capital Projects Highlights**

Strategic Priorities:

The 2009 Recommended Capital Budget, 2010 - 2013 Recommended Capital Plan and 2014 -2018 Capital Forecast advances the strategic direction of the Solid Waste Management Services Multi-Year Business Plan and supports several key priorities outlined in the Mayor's Mandate and Council's policy agenda.

The Solid Waste Management Services’ Multi-Year Business Plan was approved by Council and the Works Committee in June 2005. The Business Plan provides a long-term overview of the actions and decisions that will be required to meet Toronto’s waste diversion goals and to secure dependable long-term management of residual solid waste over the next decade.

***Achieve 70% Waste Diversion Target by 2010:***

Council at its meeting of June 19, 20 and 22, 2007, supported and approved the Mayor’s objective of 70% Waste Diversion by 2010. This aggressive target of 70% Diversion required an acceleration of the projects in the current capital program, and includes diversion targets for multi and single residential customers. The Recommended 2010 - 2013 Capital Plan and 2014 -2018 Capital Forecast has been established to achieve the 70% diversion goal.

The following highlights key capital projects in the Recommended 2009 Budget, 2010- 2013 Capital Plan and 2014 -2018 Capital Forecast:

Capital Projects	2009	2010	2011	2012	2013	2009 to 2013	2014 to 2018	Total 2009 - 2018
<b>Transfer Station Asset Management</b>	7,133	4,025	4,200	4,200	4,200	23,758	21,000	44,758
<b>Collection Yard Asset Management</b>	5,084	500	500	500	500	7,084	2,500	9,584
Green Lane Landfill								
Development	6,847	7,634	12,749	6,004	7,615	40,849	43,905	84,754
Buffer Land	1,500	1,500	1,000	500		4,500		4,500
<b>Subtot Green Lane</b>	<b>8,347</b>	<b>9,134</b>	<b>13,749</b>	<b>6,504</b>	<b>7,615</b>	<b>45,349</b>	<b>43,905</b>	<b>89,254</b>
<b>Perpetual Care of Landfills</b>	8,201	8,025	8,632	9,267	9,969	44,094	52,502	96,596
<b>Waste Diversion Facilities</b>								
Replacement L & Y W Composting Facilities			3,750	4,000	200	7,950		7,950
Tractor Trailers	1,540	1,080				2,620		2,620
Mandatory Diversion Enforcement	600					600		600
Mixed Waste Facility, Design, Engineer. & Constr.		30,900	81,000	40,000	4,100	156,000		156,000
Dufferin-Disco SSO Processing Facility	13,900	28,500	18,900	6,500		67,800		67,800
Additional Single Stream Processing Capacity	750	4,500	15,000	4,500		24,750		24,750
Diversion Facility Asset Management		250	300	1,800	250	2,600	1,250	3,850
Reuse Centre	3,500	10,000	8,000	7,641		29,141		29,141
Replacement SSO Containers	3,000	3,000	15,950			21,950		21,950
SSO Multi-Unit Residential Containers	600	1,400	520			2,520		2,520
Recycling Upgrades For Multi-Units	2,500	300	200			3,000		3,000
Mixed Waste Processing Facilities	500					500		500
RFID/GPS System	800	200	200	200		1,400		1,400
<b>Subtot Diversion Facilities</b>	<b>27,690</b>	<b>80,130</b>	<b>143,820</b>	<b>64,641</b>	<b>4,550</b>	<b>320,831</b>	<b>1,250</b>	<b>322,081</b>
<b>TOTAL Gross Expenditures</b>	<b>56,455</b>	<b>101,814</b>	<b>170,901</b>	<b>85,112</b>	<b>26,834</b>	<b>441,116</b>	<b>121,157</b>	<b>562,273</b>

The 10 Year Capital Plan and Forecast has total gross cost of \$562.273 million for the required Solid Waste Management Services capital projects, representing an increase of \$18.325 million over last

year's 10-Year Capital Program. During the 2009 to 2013 period, the incremental annual operating cost of the additional diversion initiatives will increase by \$8.9 million by year 2013.

The 70% Diversion report approved by Council in June 2007 identified over 20 individual waste diversion initiatives that when combined, will allow the City to achieve its diversion goals. The Recommended 2009-2013 Capital Plan provides the infrastructure necessary to achieve 70% diversion by 2010.

The 2009 Recommended Capital Budget provides funding for:

- Transfer Station and Collection Yard preventative asset management (\$12.217 million)
- Cell development and Buffer Land acquisition at Green Lane (\$8.347 million)
- The purchase of tractor trailers (\$1.540 million)
- Source Separated Organics processing capacity at the Dufferin-Disco facilities (\$13.900 million)
- In-unit organics containers for apartments and condominiums (\$0.600 million)
- Start of replacement of organics containers for single households (\$3.000 million)
- Start of installation of RFID/GPS systems on collection vehicles to measure multi-residential waste collection volumes (\$0.800 million).

The 5 Year Recommended Capital Plan provides funding for 5 major projects:

- Diversion Facilities (\$320.831 million), with the majority of costs to be incurred in 2010, 2011 and 2012 that continues with major diversion activities as follows:
  - Expanding the Green Bin program to include apartments & condominiums;
  - Expanding the range of recyclable materials in the blue box to include: polystyrene and plastic film;
  - Establishing reusable goods drop-off centres to provide residents with one-stop location for re-usable goods;
  - providing single home residents with replacement SSO containers that will facilitate automated pick-up/collection;
  - Building additional Source Separated Organics processing capacity that will increase capacity to allow for expansion, and provide long term stability for the Green Bin program; and
  - Installation of RFID/GPS (Radio Frequency Identification/ Global Positioning System) on collection vehicles to aid in the collection of billing data residential collection.
- Perpetual Care of Landfills (\$44.094 million)
- Green Lane Landfill Development & Acquisition (\$45.349 million)
- Transfer Stations Asset Management (\$23.758 million)
- Collection Yard Asset Management (\$7.084 million)

The 2014-2018 Capital Forecast provides funding for:

- On-going asset management for Transfer Stations, Collection Yards and Diversion Facilities (\$24.750 million)
- Cell development and maintenance at Green Lane (\$43.905 million)
- On-going perpetual care of closed landfill sites (\$52.502 million).

## Operating Budget Impact - 10-Year Plan & Forecast

### Incremental Operating Impact Summary

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 - 2018 Forecast	2009- 2018 Total
<b>2009 Recommended Capital Budget</b>								
Program Costs (net)	1,715	1,721	320	39		3,795	154	3,949
Approved Positions	22	18				40		40
Debt Service Costs								
<b>Recommended 2010-2013 Capital Plan</b>								
Program Costs (net)		675	3,599	1,755	(917)	5,112		5,112
Approved Positions			17	7	7	31		31
Debt Service Costs								
<b>Recommended 2014-2018 Capital Forecast</b>								
Program Costs (net)								
Approved Positions								
Debt Service Costs								
<b>Total</b>								
Program Costs (net)	1,715	2,396	3,919	1,794	(917)	8,907	154	9,061
Approved Positions	22	18	17	7	7	71		71
Debt Service Costs								

*Debt Service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% Year 1, and 13% for subsequent years*

### Comments / Issues:

### Program Operating Impacts

Approval of the 2009 Recommended Capital Budget will result in a cumulative increase in Solid Waste Management Services' Operating Budget of \$8.907 million by 2013. The incremental net operating costs outlined above include the following:

Project	2009	2010	2011	2012	2013	2009-2013
Tractor Trailers	832.0	318.0	69.0	24.0	-	1,243.0
SSO Multi-Unit Residential Containers	883.0	1,403.0	251.0	15.0	-	2,552.0
Dufferin-Disco SSO Processing Facility	-	-	1,574.0	1,574.0	-	3,148.0
Additional Single Stream Processing Capacity	-	-	-	(1,592.0)	(1,789.0)	(3,381.0)
Reuse Centre	-	675.0	2,025.0	1,350.0	1,350.0	5,400.0
Mixed Waste Facility	-	-	-	423.0	2,221.0	2,644.0
Replacement Leaf & Yard Waste Composting	-	-	-	-	(2,699.0)	(2,699.0)
<b>Total</b>	<b>1,715.0</b>	<b>2,396.0</b>	<b>3,919.0</b>	<b>1,794.0</b>	<b>(917.0)</b>	<b>8,907.0</b>

The incremental operating costs outlined in the Diversion Facilities project above include the following:

- Tractor Trailers: \$0.832 million in 2009 to fund annual operating costs including 11 positions for haulage operations.

- SSO Multi-Unit Residential Containers: \$0.883 million in 2009 in operating costs, net of disposal savings for the roll-out of the program.
- Dufferin-Disco SSO Processing Facility: \$1.574 million in 2011 in operating costs, net of disposal savings.
- Additional Single Stream Processing Capacity: The net program savings of \$1.592 million starting in 2012 mainly due to disposal savings and additional revenues from the sale of recyclables.
- Reuse Centres: \$0.675 million for the annual costs of operating reuse centres starting in 2010, up to a total of six operational reuse centres by 2012.
- Mixed Waste Facilities: \$0.423 million in 2012 for operating costs to start-up the facility.
- Replacement Leaf & Yard Waste Composting Facilities: Net program savings of \$2.699 million starting in 2013 will be realized mainly as a result of converting to an in-house operation when the existing processing contract expires.

**Total 2009 Recommended Cash Flow & Future Year Commitments (\$000s)**

	2007 & Prior Year Carry Forwards	2009 Previously Approved Cash Flow Commitments	2009 New Cash Flow Recommended	2009 Total Cash Flow Recommended	2009 Debt Target	2008 Carry Forwards	Total 2009 Cash Flow (Incl 2008 C/Fwd)	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total Cost
<b>Expenditures</b>																	
Previously Approved	175	18,879		19,054		2,619	21,673	12,364	2,089	500							36,626
Change in Scope				-			-										-
New			16,641	16,641			16,641										16,641
New w/Future Year			20,760	20,760			20,760	36,250	35,770	6,700							99,480
<b>Total Expenditure</b>	<b>175</b>	<b>18,879</b>	<b>37,401</b>	<b>56,455</b>	<b>-</b>	<b>2,619</b>	<b>59,074</b>	<b>48,614</b>	<b>37,859</b>	<b>7,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,747</b>
<b>Financing</b>																	
Reserves/Res Funds			8,201	8,201		490	8,691										-
Development Charges				-			-										8,691
Other				-			-										-
Debt(RECOVERABLE)	175	18,879	29,200	48,254		2,129	50,383	48,614	37,859	7,200							144,056
<b>Total Financing</b>	<b>175</b>	<b>18,879</b>	<b>37,401</b>	<b>56,455</b>	<b>-</b>	<b>2,619</b>	<b>59,074</b>	<b>48,614</b>	<b>37,859</b>	<b>7,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,747</b>

**Comments / Issues:**

The 2009 Recommended Capital Budget is \$59.074 million gross, with future year commitments of \$48.614 million in 2010; \$37.859 million in 2011; and \$7.200 million in 2012. 2008 approved cash flow of \$2.619 million for 4 previously approved sub-projects will be carried forward from 2008 into 2009. This funding is required for Transfer Station Asset Management projects to address State of Good Repair (\$1.279 million), Landfill Development (\$0.600 million), Perpetual Care for Thackery Landfill (\$0.490 million) and Mixed Waste Processing Facilities projects (\$0.250 million). In addition, \$0.175 million is being carried forward from 2007 to 2009 to complete the Routing Application project.

The 2009 Recommended Capital Budget includes previously approved sub-projects with a 2009 cash flow of \$18.879 million and a future year commitment of \$12.364 million in 2010, \$2.089 million in 2011, and \$0.500 million in 2012. The majority of this recommended funding is provided for Dufferin-Disco SSO Processing Facility (\$23.280 million) and Green Lane Landfill Development/Buffer Land Acquisition (\$8.539 million). There are 8 previously approved sub-projects.

The recommended new cash flow funding for 2009 to 2013 will include Diversion Facilities (\$91.360 million), ongoing maintenance of Perpetual Care of Landfills (\$8.201 million), continue Transfer Station Asset Management (\$8.120 million), Collection Yard Asset Management (\$3.159 million), and Development of Green Lane Landfill (\$5.281 million).

## **2009 Recommended Capital Budget**

### **2009 Recommended Capital Budget versus Debt Target**

Starting in 2009, the Solid Waste Management Services Capital program will be fully supported by user fee revenue, reserve funds and potential third party funding. The City will issue debt on behalf of Solid Waste Management Services and the associated debt charges will be funded from user fees and so, multi-year debt affordability targets are not applicable. Each year, the Solid Waste Management Operating Budget will include a contribution to capital to fund capital debt charges for Solid Waste Management capital projects. The 2009 Recommended Operating Budget includes a contribution to capital repayment of \$7.8 million.

### **Capital Budget by Project Category**

Funding for State of Good Repair projects represents 22% of the 2009 Recommended Capital Budget. The 2009 requirement for new Asset Management capital work consists of projects for Transfer Stations and Collection Yards funded in the amounts of \$5.084 million and \$7.133 million respectively.

Legislated projects represent 29% of the 2009 Recommended Capital Budget for the on-going development and perpetual care of landfills at a cost of \$16.548 million. These projects are funded 50% through Perpetual Care and Landfill Reserve Fund and 50% through recoverable debt.

Service Improvement project funding represents 49% of the 2009 Recommended Capital Budget and is for Diversion facilities and equipment that support the 70% diversion target at a cost of \$27.690 million in commitments for 2009.

There are no Growth related projects.

### **2009 Capital Project Highlights**

The Recommended 2009 Budget provides funding for:

- Transfer Station and Collection Yard preventative asset management (\$12.217 million)
- Cell development and Buffer Land acquisition at Green Lane (\$8.347 million)
- The purchase of tractor trailers (\$1.540 million)
- Source Separated Organics processing capacity at the Dufferin-Disco facilities (\$13.900 million)
- In-unit organics containers for apartments and condominiums (\$0.600 million)
- Start of replacement of organics containers for single households (\$3.000 million)
- Start of installation of RFID/GPS systems on collection vehicles to measure multi-residential waste collection volumes (\$0.800 million).

**Capacity and Readiness to Proceed**

The 2009 Recommended Capital Budget is consistent with historical spending experience. The average yearly spending capacity for Solid Waste Management Services Capital is approximately \$79 million or 83%. Including carry forward funding, the 2009 Recommended Capital Budget totals \$59 million. Average spending was 87% over the past 3 years. Actual spending in 2009 will depend on the readiness to proceed.

Specific projects scheduled for 2009 have been reviewed for their readiness to proceed and include Transfer Station and Collection Yard Asset Management, Diversion Facilities and development and perpetual care of landfills. Deferrals and delays are generally attributable to managing the procurement process, lengthy and complicated contract negotiation processes, lengthy design specification processes, availability of buffer land for acquisition, and the various approval processes. From a readiness standpoint, the time required to procure suitable sites, construct facilities, find markets for diverted material, and complete Environmental Assessments on those proposed sites have been incorporated into the Recommended 2009 Capital Budget. However, Solid Waste Management Services staff may still face unforeseen pressures operationally due to tight timelines assumed.

Thus, the General Manager of Solid Waste Management Services is requested to report back to the Public Works and Infrastructure Committee by June 2009, on the strategies to deliver the aggressive 5-Year Capital Plan, addressing the implementation challenges with the with respect to timelines, site locations, environmental assessments, and readiness to proceed for facilities related projects.

**PART II: ISSUES FOR DISCUSSION****2009 Recommended Capital Budget Issues****Green Lane Land Transfer Tax**

On July 21, 2008, the Provincial Government notified the City of Toronto that the land transfer tax originally calculated for the purchase lands for the Green Lane Landfill was insufficient based on a new assessment of allocations for the lands, authorizations, contracts and goodwill as defined in the purchase agreement. As a result, the City has incurred the extra cost of \$3.661 million in order to remit the requested land transfer tax. This amount includes \$0.250 million to retain appropriate legal counsel in order to pursue an appeal of the charge. A separate report entitled "Notice of Assessment under the Land Transfer Tax Act related to the Green Lane Landfill" is scheduled to be on the agenda of Budget Committee in October 2008.

The report recommends that the expenditures be funded from the Waste Management Reserve Fund. Should the City be successful in its appeal of the assessment, the reserve fund will be replenished. Conversely, if the appeal fails, the Program would have to absorb all costs related to this expenditure within the reserve fund thereby reducing availability of capital funding to achieve 70% diversion.

## **5-Year Capital Plan Issues**

### **Achieving the 70% Diversion Target**

The Solid Waste Management Services' future year budget trend is driven primarily by the City's objective to achieve the 70% diversion target and therefore on that basis the 2009 to 2013 Recommended Capital Plan has been prepared.

The 5-Year Capital Plan continues funding a major expansion of diversion activities during this timeframe including mainly:

- Expanding the Green Bin program to include apartments & condominiums
- Replacement of SSO containers.
- Establishing reusable goods drop-off centres to provide residents with one-stop location for reusable goods.
- Providing single home residents with replacement SSO containers that will facilitate automated pick-up/collection.
- Building additional Source Separated Organics processing capacity that will increase capacity to allow for expansion, and provide long term stability for the Green Bin program.

These costs will peak in 2011 when \$50 million or 29% of that year's funding is currently projected to be sourced from potential third party sources. Until this funding is confirmed, there is inherent risk as unrealized third party support will create user fee pressures.

The plan to reach 70% Diversion is very aggressive, given all the activities discussed above that are required to be completed. Although the Capital Plan has been adjusted to account for steps in procurements, Solid Waste Management Services staff may still face pressures operationally due to tight timelines assumed, and the potential issues presented by site location, environmental assessments, and the various approval processes. Also Solid Waste Management Services staff may still face unforeseen pressures operationally due to tight timelines assumed.

Thus, the General Manager of Solid Waste Management Services is requested to report back to the Public Works and Infrastructure Committee by June 2009, on the strategies to deliver the aggressive 5-Year Capital Plan, addressing the implementation challenges with respect to timelines, site locations, environmental assessments, and readiness to proceed for facilities related projects.

**Financing Assumptions**

To offset city’s contributions, it is estimated that 50% of the costs of three diversion projects with a 2009 to 2013 cost of \$93.975 million, and a total cost of \$188.7 million, may be funded through external sources. The portion of the diversion projects maybe capitalized through private vendors, and potential timing, is noted below:

<b>Projects Funded by Private Sector</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TOTAL 2009-13</b>
<b>Waste Diversion Facilities:</b>						
1. Additional Single Stream Processing Capacity	750	4,500	15,000	4,500	-	24,750
2. Replacement Composting Facility			3,750	4,000	200	7,950
3. Mixed Waste Facility, Design, Engineer. & Constr.		30,900	81,000	40,000	4,100	156,000
<b>Total</b>	<b>750</b>	<b>35,400</b>	<b>99,750</b>	<b>48,500</b>	<b>4,300</b>	<b>188,700</b>
Vendor Capitalization		17,700	49,875	24,250	2,150	93,975
Recoverable Debt	750	17,700	49,875	24,250	2,150	94,725

The first capital project is required in order to provide additional in-house single stream recyclable material processing capacity, to help achieve 70% diversion. The second project will bring in-house the current Leaf and Yard Waste Composting operations, and provide some additional diversion capacity. The third project “Mixed Waste Facility, Design, Engineering & Construction” is required to achieve a diversion rate of 70%.

Discussions this far, indicate that all or part of the capital costs for any one of the above 3 projects could be funded by the City of Toronto, vendor capitalization, or partnerships between the Public and Private Sector, or other organizations.

The 10 Year Capital Plan and Forecast includes a notional 50% private vendor capitalization without confirmation of these partnerships. This revenue source is included in the 10-Year Capital Plan and Forecast as an indication or placeholder for these three significant diversion projects. The General Manager of Solid Waste Management Services will report to the Public Works and Infrastructure Committee and Budget Committee once any partnership opportunities become viable.

**Appendix 1**

**2009 Recommended Capital Budget; 2010 to 2013 Plan  
and 2014 to 2018 Forecast**

**Appendix 2**  
**2009 Recommended Cash Flow**  
**and Future Year Commitments**

**Appendix 3**  
**2009 Recommended Capital Projects**  
**with Financing Details**

**Appendix 4**  
**Reserve / Reserve Fund Review**

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31, 2008	Proposed Cash Flows										2009-2018 Total
			2009 Rec Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Fore.	2015 Fore.	2016 Fore.	2017 Fore.	2018 Fore.	
XR1013 Perpetual Care of Landfill Reserve Fund	Beginning Balance	31,600	31,600	29,053	26,733	23,831	20,294	16,019	11,009	6,123	1,203	(3,740)	31,600
	Contributions (Operating)		3,881	4,073	4,276	4,491	4,717	4,955	5,207	5,472	5,752	6,048	48,871
	Perpetual Care of Landfills		(8,201)	(8,025)	(8,632)	(9,267)	(9,969)	(10,637)	(10,466)	(10,466)	(10,466)	(10,467)	(88,630)
	Total Proposed Contributions (Withdrawals)		(4,320)	(3,952)	(4,356)	(4,776)	(5,252)	(5,682)	(5,259)	(4,994)	(4,714)	(4,419)	(39,759)
<b>XR1013 Perpetual Care of Landfill BALANCE AT YEAR-END</b>		<b>31,600</b>	<b>27,280</b>	<b>25,101</b>	<b>22,377</b>	<b>19,055</b>	<b>15,041</b>	<b>10,337</b>	<b>5,749</b>	<b>1,129</b>	<b>(3,511)</b>	<b>(8,159)</b>	<b>(8,159)</b>

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31, 2008	Proposed Cash Flows										2009-2018 Total
			2009 Rec Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Fore.	2015 Fore.	2016 Fore.	2017 Fore.	2018 Fore.	
XR1404 Waste Management Reserve Fund	Beginning Balance	18,150	18,150	33,977	48,735	53,524	48,592	40,220	33,560	29,109	35,655	45,719	18,150
	Contributions (Operating)		21,785	25,721	24,990	27,021	28,944	31,885	34,977	46,265	49,883	53,646	365,020
	Debt Repayment		(7,790)	(13,592)	(23,088)	(34,573)	(39,485)	(40,354)	(40,998)	(41,641)	(42,285)	(42,928)	(326,734)
	Total Proposed Contributions (Withdrawals)		13,995	12,130	1,902	(7,552)	(10,541)	(8,470)	(6,021)	4,624	7,598	10,718	38,286
<b>XR1404 Waste Mgmt Reserve Fund BALANCE AT YEAR-END</b>		<b>18,150</b>	<b>32,145</b>	<b>46,107</b>	<b>50,637</b>	<b>45,972</b>	<b>38,051</b>	<b>31,750</b>	<b>27,539</b>	<b>33,732</b>	<b>43,253</b>	<b>56,436</b>	<b>56,436</b>