



STAFF REPORT ACTION REQUIRED

Recommended 2010 Solid Waste Rates

Date:	October 16, 2009
To:	Budget Committee
From:	General Manager, Solid Waste Management Services Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	p:/2009/swms/Oct./016BA

SUMMARY

This report outlines the proposed 2010 Residential Solid Waste Rates and 2010 Solid Waste Management (SWM) Fees for Agencies, Boards, Commissions and Departments (ABCD's) and Schools. The proposed rates and fees represent a 2% increase from 2009.

RECOMMENDATIONS

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

1. the 2010 Residential Solid Waste Rates and Solid Waste Management Fees for Agencies, Boards, Commissions and Departments and Schools as set out in Appendix A be approved.

Financial Impact

The recommended 2010 Residential Solid Waste Rates are expected to generate \$244.3 million in volume-based rate revenue or a \$4.8 million increase over the 2009 approved utility revenue. In addition, the recommended 2010 Solid Waste Management Fees for ABCD's and Schools are expected to generate an increase of \$0.1 million over the 2009 approved revenues

These revenues will provide full funding to support Solid Waste Management operations, capital work and the initiatives to achieve the 70% waste diversion goal. The recommended rates are reflected in the 2010 Recommended Operating Budget for Solid Waste Management Services.

DECISION HISTORY

At its special meeting of November 6, 2008, City Council adopted the recommendations in Executive Committee report EX25.6 “Recommended 2009 Residential Solid Waste Rates”, as amended. The staff report sought approval of the 2009 solid waste fees.

The City Council Decision document can be viewed on Page 10:

<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-11-06-cc26-dd.pdf>

The staff report can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-16185.pdf>

Appendix A can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/bu/bgrd/backgroundfile-16186.pdf>

ISSUE BACKGROUND

Residential Solid Waste Rates

At its meeting of June 19, 20 and 22, 2007 City Council adopted EX9.1 “Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010”. The plan included principles for the new solid waste rates; which removes Solid Waste Management Services operating and capital costs from the property tax base.

The City Council Decision document (Pages 1 to 9) can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-06-19-cc10-dd.pdf>

At its special meeting of March 31, 2008 City Council adopted the fees set out in Attachment A - Residential Solid Waste Rate Structure, 2008 Fees.

The City Council Decision document (Page 10, Item #30) can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-03-31-cc18-dd.pdf>

The staff report and Attachment A can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-11479.pdf>

City Council adopted 2008 Residential Solid Waste Rates implemented on July 1, 2008 for residential bulk collection customers, primarily multi-residential units, and on November 1, 2008 for residential curbside collection customers, primarily single residential units.

At its meeting of November 6, 2008 City Council adopted Recommended 2009 Residential Solid Waste Rates which remained unchanged at the 2008 level.

The City Council Decision document (Page 10) can be viewed at:
<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-11-06-cc26-dd.pdf>

Solid Waste Management Fees for ABCD's and Schools

At its meeting on March 4, 5, 6, 7 and 8, 2002 City Council adopted Report No. 4 of the Policy and Finance Committee, Clause No. 1 "City of Toronto 2002 Recommended Operating Budget". The staff report titled "Waste Management Fees for Agencies, Boards, Commissions, Departments and Schools - Waste Diversion Task Force 2010". The Solid Waste Management Fees for ABCD's and Schools were introduced in January 1, 2002 for the collection, transfer and disposal of solid waste with the provision of "no-charge" collection of recyclables and yard waste.

The City Council Decision document (Pages 20 and 21, Item #30 II) can be viewed at:
<http://www.toronto.ca/legdocs/2002/agendas/council/cc020304/pof4rpt/cl001.pdf>

At its meeting on June 22, 23 and 24, 2004 City Council adopted Report No. 4 of the Woks Committee, Clause 2 "Modifications to Waste Management Fees Charges to Schools" which increased the waste management fees charged to schools for the collection of waste from bulk or automated bins and for waste delivered directly to SWM transfer stations with the continuation of the "no-charge" policy for the collection of recyclables and yard waste.

The City Council Decision document can be viewed at:
<http://www.toronto.ca/legdocs/2004/agendas/council/cc040622/wks4rpt/cl002.pdf>

COMMENTS

In June 2007, City Council adopted the recommendations in Executive Committee report entitled "Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010", which described a series of new waste diversion initiatives to achieve 70% diversion from landfill, and developed a volume-based solid waste rate system which would raise the approximately \$54 million additional revenue necessary to achieve the 70% diversion goal

Operating Budget

It is recommended that Solid Waste Residential Rates and Fees for ABCD's and Schools be increased by 2%, over the 2009 rates and fees, effective January 1, 2010. The recommended 2010 rates and fees are in Appendix A. The increase of 2% is less than the 3.5% annual increase as projected in Executive Committee report EX9.1 "Proposed Initiatives and Financing Model to Get to 70% Solid Waste Diversion by 2010" adopted by City Council on June 19, 20 and 22, 2007. In order to limit the residential volume

based rate increase to 2% over 2009 (rather than 3.5% previously reported), the timeline for the implementation of two diversion initiatives, the continued expansion of both source separated organics collection in multi-residential buildings, and the durable goods collection program will be extended. However, the proposed 2010 rates increase balances fiscal constraints with maintaining critical progress on waste diversion initiatives.

The 2010 Recommended Operating Budget includes base pressures as in the Table below:

	\$M's
Single Stream Recycling (Expenditure & Revenue)	9.9
Debt Charges	5.2
COLA & Economic Factors	3.7
SSO In Multi-Res & Durable Goods	2.4
Other	0.2
Reduced Tonnage to Landfill	(5.5)
WDO Funding	(1.4)
Emerald Ash Borer	(0.9)
Fuel Price Adjustments	(0.9)
Total Pressures & Offsets	\$12.7
% Increase Pressure	5.3%

The pressures are offset by operating efficiencies without impacting diversion as detailed in the Table below:

	\$M's
Total Pressures & Offsets	12.7
Reduce Collection Operating Cost	(1.8)
Reduce Litter Operating Costs	(1.2)
Reduce Overtime	(0.6)
Reduce Transfer Station Operating Costs	(0.5)
Other	(0.3)
Total Efficiencies	(4.4)
Utility Revenue Increase Pressure	\$8.3
% Increase Pressure	3.5%

To limit the rate increase to 2%, the timeline for implementation for two (2) diversion initiatives were extended as follows:

	\$M's
Net Pressures After Efficiencies	8.3
Extend Roll-out Timeline of SSO in Multi-Residential Buildings	(1.9)
Extend Roll-Out Timeline of Durable Goods Program	(1.6)
Total of Major Diversion Initiatives Deferred	(3.5)
Utility Revenue Increase Required	\$4.8
% Increase Recommended	2.0%

In order to assist in meeting the waste diversion goal, the cost of the Solid Waste Management Program would be removed from the broad property tax base and instead, the City implemented a volume-based, solid waste rate structure better related to a property's residual solid waste needs. A volume-based rate structure provides a financial incentive and means for residents in single and multi-residential homes to reduce their generation of waste and in doing so manage their household expense. Thus, Solid Waste Management Services has transformed itself, moving from an operating division funded through the property tax base to a self-sufficient rate based utility.

Appendix B describes the diversion projections for 2010 based on the proposed 2% rates increase over 2009.

Starting in 2009, the Solid Waste Management Services operating and capital program has been fully supported by utility revenue, reserve funds and third party private funding. In 2010, debt charges of \$13 million will be funded from user fees. Eventually, with yearly ongoing contributions to the Solid Waste Management Operating Budget, the reserve will directly fund the Solid Waste Management Capital Plan. Solid Waste Management will report back with a multi year rate strategy in the 2011 budget process.

Capital Budget

The Recommended 10 Year Capital Plan provides funding of \$75.1 million in 2010 including Diversion Systems and Facilities (\$40.2.7 million), ongoing maintenance of Perpetual Care of Closed Landfills (\$8.0 million), Transfer Station Asset Management (\$6.7 million), Collection Yard Asset Management (\$8.5 million), and Development of Green Lane Landfill (\$11.7 million).

A summary of the impact of a 2% rate increase on various bin sizes is shown in Appendix C.

Summary

Of the total \$320 million gross operating budget, the recommended 2010 Residential Solid Waste Rates are expected to generate an increase of \$4.8 million for a total of \$244.3 million in volume-based utility revenue, with recycling and other revenues funding the remainder of the operating expenditures. The residential volume based rate increase of 2% is required to fund existing operations as well as new initiatives that will enable the Program to move forward towards the 70% Diversion Target, and extend the lifespan of the City owned Green Lane Landfill Site to 2034. The new and ongoing initiatives include:

- curbside collection of household durable goods, such as electronics, for reuse and recycling;
- roll-out of Green Bin program in multi-residential buildings;
- in-store packaging reductions initiatives;
- door-to-door curbside services in townhomes;

- full access to recycle and Green Bin services for residential above commercial; and
- extending household special waste depot operations to 5 days per week.

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SIGNATURE

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Attachment

Appendix A - Proposed 2010 Residential Solid Waste Rates and Solid Waste
Management Fees for ABCD's and Schools

Appendix B - Diversion Projections Based on 2% Rate Increase

Appendix C - Summary Impact of 2% Rate Increase